

# FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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The view from  
Deng's other  
China, Page 19

World news

Business summary

## Channel decision set for January

Britain and France underlined their commitment to building a cross-Channel "fixed link" and confirmed in a joint statement that they would announce before the end of next January which project for a bridge or tunnel, or a combination of both, had been chosen.

The statement said a formal treaty on the link would be signed next February.

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## US debt initiative to get new push

US Treasury Secretary James Baker's initiative to alleviate the developing country debt crisis is to receive a new push at a meeting this week of senior executives of 16 international banks in Toronto.

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## EEC sets tough terms in granting loan to Greece

BY QUENTIN PEEL IN BRUSSELS

FINANCE MINISTERS of the European Community yesterday approved a two-year, Ecu 1.75bn (\$1.47bn) loan package for Greece, to help the country through its present balance of payments crisis, but linked it to implementation of strict economic conditions.

The six-year loan will be made available in two equal instalments, one immediately and one in 12 months, with an unwritten but implicit insistence on the observance of the conditions worked out by the Greek Government and the European Commission.

The decision follows a lengthy discussion at the EEC Finance Council yesterday in which several ministers, led by Mr Gerhard Stoltenberg of West Germany, criticised the Greek Government's economic management policy and called for strict implementation of the austerity measures.

The package is much tougher than the similar Ecu 4bn EEC loan made to France in 1983, although its conditions are more comparable with those set for Italy and Ireland in 1976.

However, it allows Greece a one-year delay in the imposition of value added tax (VAT), as required by its EEC membership terms - the second such postponement since it joined the Community in 1981.

The ministers agreed on a series of targets for key economic indicators:

● Wage indexation limited to the rate of inflation;

● An inflation target of 15 per cent by the end of 1986 (compared with 20 per cent at present), reduced to 10 per cent by mid-1987;

● Reduction of the public sector borrowing requirements as a proportion of gross domestic product by 4 percentage points, with a target of 13 per cent for 1986 and 9 per cent for 1987.

Greek Prime Minister Andreas Papandreu yesterday rejected the resignations of the Minister and Deputy Minister of Public Order which were submitted after the shooting by a police officer on Sunday night of a 15-year-old demonstrator in central Athens. The chief of Greek police, his deputy and the director of police in the Athens region were suspended from duty pending an investigation into the killing, which occurred in clashes between youths and police.

Reduction of the rate of internal credit expansion by 17 per cent in 1986 and 13 per cent the following year;

● A progressive reduction in the deficit on the current account of the balance of payments, expected to reach \$2.8bn this year, to enable the stabilisation of external borrowing, now estimated at more than \$18bn, by 1988.

The major point made by the finance ministers was an insistence on taking part in the review of the Greek economic package before the second tranche of the loan is paid.

Normally this would be done simply at the discretion of the Commission after consulting the EEC monetary committee, but it was agreed yesterday that in this case the ministers would be consulted.

The conditions set by the ministers and proposed by the Commission are close to the targets put forward by the Greek Government.

But the specific import protection measures sanctioned in order to correct the balance of payments deficit are less extensive than those proposed by Athens and will be split.

Continued on Page 20

Britain, West Germany reject monetary reform plan, Page 20

## Rescue plan floated for Tung shipping group

BY DAVID DODWELL IN HONG KONG, CARLA RAPOPORT IN TOKYO, AND ANDREW FISHER IN LONDON

PLANS were announced yesterday to restructure the finances and shipping operations of the troubled C. Y. Tung group of Hong Kong, which has total debts estimated at about \$20m as a result of ambitious new ship ordering.

Under the plan, a new container shipping company will be set up by the publicly quoted part of the Tung group, Orient Overseas (Holdings) Ltd (OOH), of which Tung owns about 80 per cent and which owes more than \$10m.

In Tokyo, a meeting of 70 banks owned nearly \$10m by the private arm of the group, which stopped paying interest on its debt in September, worked out a restructuring programme to secure a resumption of the payments.

The problems of the Tung group are the latest symptom of the deep crisis in world shipping, as the oversupply of tonnage has depressed freight rates and made it difficult for companies to cover financing and running costs.

Oohl faces annual loan repayments of about \$100m. It operates 55 ships, and its main business is Orient Overseas Container Line. The new container group, announced in Hong Kong yesterday, will take in the 23 container ships. It will not include Furness Withy of the UK, which is part of Oohl.

Dealings in Oohl shares were suspended in September when the company said it had obtained a HK\$10m (\$12.8m) line of credit from the Hongkong and Shanghai Banking Corporation, its main banker, to maintain working capital.

Financial adviser Hambro Pacific made clear then that the problems were rooted in the entanglement of the Tung group's private and public corporate interests.

At the Tokyo meeting, the Tung group appealed to creditors for a grace period of 180 days to come up with a debt restructuring plan.

Japanese creditors are owed more than 50 per cent of the \$10m.

An executive of Shearson Lehman Brothers, the US investment bank acting for the privately owned Tung interests, said after the meeting that creditors had tacitly agreed to await the restructuring plan before calling in loans.

Of the 70 banks and financial institutions owed money by the group, headed by Mr C. H. Tung, son of the late Mr C. Y. Tung, the founder, 30 are Japanese and the rest Hong Kong, US and European.

A creditors' steering committee was formed yesterday to advise the company on the restructuring scheme and help to implement it.

It includes Manufacturers Hanover Trust, Chemical Bank, First National Bank of Chicago and First National Bank of Boston from the US, Standard Chartered of the UK, the Hongkong and Shanghai Bank, Bank of Tokyo, Industrial Bank of Japan and Fuji Bank. Other creditors include Banque Nationale de Paris.

## Elders reduces banks' role in £1.8bn bid for Allied-Lyons

BY CHARLES BATCHELOR IN LONDON

ELDERS IXL, the Australian brewing, agricultural and trading group, has changed the shape of its record £1.8bn takeover bid for Allied-Lyons, the British-based food and drinks conglomerate, to reduce the controversial role played by the banks.

Elders, best known as the brewer of Foster's lager, yesterday announced the detailed terms of its offer, the biggest ever made for a UK company. Allied had criticised the direct role played by the eight-strong group of international banks, which are financing much of the deal as being far removed from the normal business of commercial lending banks in the UK.

Announcing the details of the bid over a satellite television link-up between London and Adelaide, Mr John Elliott, Elders' chief executive, said the banks would now not take a shareholding in the company set up to carry out the bid. They would act purely as lenders, he added.

The modification of the Elders' bid failed to convince Sir Derrick Holden-Brown, Allied's chairman. He accused Elders of merely applying "stick plaster" to the bid so that the banks were not now controlling shareholders of the bidding company. They were still financing the acquisition, he said.

"The offer document must rank as one of the most hypocritical documents ever issued in a UK takeover," he added. He charged Elders with putting up a "vast smoke-screen of propaganda based on many unfair comparisons and selective statistics."

Elders revealed in its 33-page offer document that Allied was intended as a springboard for future moves into the major liquor markets of Europe. Allied's brands include Skol lager, Double Diamond beer,

Teacher's whisky, Harvey's Bristol Cream sherry and Lyons Maid ice cream.

Elders also plans to offer Allied's tenants and managers a stake in their pubs.

The Australian company confirmed that it was offering 25p for every Allied ordinary share but said the bid would be primarily in the form of loan notes - allowing accepting shareholders to defer any capital gains tax liability - with a cash alternative. Allied's shares have been trading in London well above this level since the bid was announced last month. They fell 2p to 24p yesterday.

Elders' executives and their advisers were in London for a meeting with Allied's board yesterday.

Continued on Page 20

Scottish & Newcastle bid, Page 13; Editorial comment, Page 15; Lex, Page 20; Details, Page 24

## Star Wars is first item on Soviet agenda

BY REGINALD DALE AND PATRICK COCKBURN IN GENEVA

MR Mikhail Gorbachev, the Soviet leader, yesterday firmly placed arms control and the US Star Wars space defence programme at the top of the agenda for his historic two-day meeting with President Ronald Reagan which opens in Geneva today.

Mr Gorbachev, arriving in Geneva for the first superpower summit in six years and the 11th since the last war, said that the aim must be to see what could be done to halt an "unprecedented" arms race and prevent its extension into other spheres - an implicit reference to the Star Wars programme. The two countries must "ward off the threat of nuclear war," he said in a brief statement in grey, wintry weather at Geneva airport.

Mr Reagan quickly responded by saying that once the space defence programme was explained to Mr Gorbachev, the Soviet leader would find that it could "help us end the arms race." Mr Gorbachev felt about ending the arms race, it could be done, Mr Reagan said.

There was no sign, however, that either side was changing its position to avert the expected confrontation over Star Wars, which Mr Reagan prefers to call his Strategic Defence Initiative. Moscow has made an end to the programme its prime objective in Geneva. But Mr Robert McFarlane, the US National Security Adviser, said that neither side had submitted last-minute pre-summit proposals.

The White House vigorously insisted that Mr Reagan did not plan to treat Star Wars as a bargaining chip, either in Geneva or at the future US-Soviet summit, that he plans to propose. On the contrary, Mr Reagan would urge prompt talks to pave the way for a gradual transition from today's offensive weapons to the sort of defensive systems envisaged under the Star Wars programme.

Mr Gorbachev, who looked cheerful and self-assured, despite occasional sniffling into a red handkerchief, said that the peoples of both countries and the whole world were expecting positive results from the summit. He would try to bring about just such an outcome.

Mr Larry Speakes, the White House spokesman, said that Mr Reagan believed that the summit could be a watershed in US-Soviet relations, leading to greater understanding between the superpowers. He denied reports that Mr Reagan was in a bad mood and taking medicine for a cold.

The President was ready to give and take "on a rapid-fire basis," Mr Speakes said. "It will be vintage

The Geneva summit opens today with a private meeting between the two leaders at the lakeside mansion that the US has chosen as the venue for the first day of talks. Mr Gorbachev will host the second and final day of the talks tomorrow at the hillside Soviet diplomatic mission. Meanwhile, in West Germany, the summit has become an ingredient in Bonn's favourite guessing game.

President Reagan," said Mr McFarlane.

Mr Speakes repeated the US view that the success or failure of the summit should not be judged by "tomorrow's headlines" but by how far it improved the climate in the months and years ahead. "The US believed that the basis for a stable peace had been created and Mr Reagan was determined to work towards that objective," he said.

US-Soviet relations had in the past ridden a roller coaster between euphoria and gloom and doom, Mr Speakes said. The US now wanted to make a "fresh start" in establishing a "stable, constructive and predictable" relationship.

The Soviet efforts to woo the 3,000 journalists attending the summit were disrupted when a news conference being given by Mr Vladimir Lomeiko, the Soviet Foreign Ministry spokesman, was abandoned in chaos after a Swiss policeman attempted to remove Mrs Irina Grivina, a Soviet dissident, from the conference hall.

Mrs Grivina, who has served a prison sentence in the Soviet Union, came to the West three weeks ago after the Soviet authorities gave her an exit visa. She is campaigning for human rights in the Soviet Union.

Mr Lomeiko said that he could not give a press conference in the face of organised disruption and stalked out of the hall.

Mr McFarlane said that Mr Reagan would today give Mr Gorbachev a "comprehensive presentation" of US strengths, purposes, values and goals up to the end of the century. He would then elaborate on US views of Soviet goals and explicitly make clear his concerns over the pattern of Soviet international behaviour.

Mr Reagan would propose a framework for US-Soviet relations covering all four areas that the US wants to raise at the summit - bilateral, regional, human rights and security issues. Mr Reagan wanted to start a "sustained dialogue" to deal with these interrelated problems, he said.

## Towering ambition of a billion dollar builder

By William Hall in New York

MR DONALD TRUMP, the 39-year-old New York property tycoon, yesterday unveiled his third attempt to build the world's tallest building in New York City. This time he is convinced that he has a winner on his hands.

Mr Trump, who has done more than most to reshape the Manhattan skyline, yesterday announced his most ambitious project to date - Television City - which he plans to build on the upper west side of New York on the site of the old Penn Central Railroad yards.

With an eye on the major US television networks which are threatening to emigrate to California because of New York City's high taxes and cramped conditions, Mr Trump unveiled plans to build the "world's most technologically advanced television complex." The centerpiece will be a 150-storey building which will be 1,670 ft (509 m) high, exceeding by 216 ft the 1,454 ft Sears Tower in Chicago.

The world's tallest building belongs in New York, and the centre of the nation's television and film industries belongs in New York, a confident Mr Trump said yesterday. "Television City, according to his aides, will be 'the largest and most dynamic new community ever built in New York' with 3.6m sq ft devoted to TV and movie studios, 1.7m sq ft of retail space and 8,000 apartments.

Mr Trump bought the 100-acre Penn Central Railroad yards, which stretch along the Hudson River from 58th Street to 72nd Street, for \$100m several years ago. Although he was not able to estimate the cost of his latest project, it is safe to say it will be in the billions of dollars, if it ever gets off the drawing board.

Mr Trump, who is said to be worth close to \$1bn himself and has recently added two Atlantic City casinos to his Manhattan property empire, hopes to break ground on his new project in early 1987 and complete the first phase by 1992.

If his other projects are any guide, however, his latest plans will come under fire from several quarters by people who argue that Mr Trump is on an ego trip which knows no bounds. Why else, they ask, does he insist that every project he builds carries his name.

New York City is littered with Trump plazas and Trump towers. Although Mr Trump said yesterday that no name had been chosen for the world's biggest building, there is a high probability that the word "Trump" will appear somewhere in the title.

Continued on Page 20

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### CONTENTS

Europe	2, 3
Companies	21, 23
America	6
Companies	21, 23
Overseas	4
Companies	22
World Trade	7
Britain	12-15
Companies	11, 24, 26-28
Agriculture	38
Appointments	34
Arts - Reviews	16
World Guide	16
Business Books	25-31
Commercial Law	35
Commodities	35-37
Crossword	35
Currencies	39
Editorial comment	12
Euro-bonds	21, 23
Euro-options	42
Financial Futures	39
Gold	38
Int Capital Markets	21, 23
Letters	19
Lex	20
Management	32
Market Monitors	46
Men and Matters	15
Money Markets	38
New materials	38
Stock markets	43, 46
Wall St	43, 46
London	40-43, 46
Technology	8
Unit Trusts	35-37
Weather	20

France: left edges towards privatisation	2
Brazil: joke on jokers as democracy triumphs	6
Trade: European light vans market under attack	7
Paper: why Wiggins Teape chose Portugal	11
Editorial comment: Elders; UK employers	18

British Telecom: tough tests to come	18
China: where Mao's statue still stands tall	19
Lex: breweries; General Motors; Metal Box	20
BMW: benefits for Bavaria in aerospace link	21
Management: entrepreneurs in eastern France	32



## EUROPEAN NEWS

## Chinese order for Italians

By Alan Friedman in Milan

ITALTEL, the Italian state-controlled telecommunications equipment maker, has won a £30bn (\$18.9m) contract to build a telephone equipment factory in China. Italtel said last night that this contract - which calls for the plant to be built at Chongqing in Szechuan province - is part of a larger series of commercial agreements being negotiated.

The contract was signed in Peking by Mrs Marisa Bellisario, managing director of Italtel, which is part of the IRI-Stet state holding group. It is understood that the £30bn initial deal is to be financed by a package of grants and low-interest export credits from Italy. Banca Nazionale del Lavoro (BNL), Italy's largest state-owned bank, is to manage the export credits associated with the project.

Under the terms of the Chongqing project, Italtel will license the Chinese to build a pulse code modulation (PCM) system and will also provide technical assistance and personnel.

The Milan-based Italtel last year made net profits of £25.2m, compared with £10.9m recorded in 1983. Sales in 1984 were 9.2 per cent higher at £1,129m and the gross operating margin was up almost 22 per cent at £150.3bn.

## Italy joins UK in attack on proposed cereals tax

BY IVO DAWNAY IN BRUSSELS

A CLEAR majority of European Community farm ministers yesterday gave an expectedly warm welcome to the European Commission's outline proposals for a new producer tax on cereals farmers.

Britain's fears of being the sole opponent of the plan were proved premature, however, when Italy also expressed strong objections. Evidence of Italy's concerns first emerged last week, when Mr Carlo Ripa di Meana, the junior Italian Commissioner, openly attacked the package in defiance of the normal convention of "collegiate" solidarity within the Commission.

Mr Ripa di Meana is said to have criticised the proposed co-responsibility levy on farmers as once again penalising the Italians with a tax on a crop of which Italy is a deficit producer.

Rome has repeatedly expressed annoyance in the past that its delay and sugar beet farmers have suffered production restraints because of surpluses

in northern Europe. Yesterday, Mr Filippo Pandolfi, the Italian Agriculture Minister, took another tack arguing that the cereals proposals would transfer the problems of the grains surplus to consumers without guarantee a cut in output.

Mr Michael Jopling, the British minister, also expressed his long standing preference for output to be reduced through price reductions. He said that other elements in the package, including a system of exemptions for smaller farmers and new quality standards, would hit UK farmers disproportionately.

He added later, however, that Britain did not rule out the use of producer taxes altogether.

The relatively calm reception of the Commission's plan suggests that the co-responsibility levy will now certainly be a component in the 1988-89 farm proposals, due to be tabled in the new year.

## W. German industry forecast to spend more

By Rupert Cornwell in Bonn

CAPITAL spending by manufacturing industry in West Germany is likely to grow further next year - albeit at barely half the exceptional 13 per cent real increase in investment expected for 1985.

This pointer to continued steady growth in the economy is provided by the latest survey of corporate investment plans by the IFO economic institute in Munich. The study, carried out in August and September, covers almost 3,500 manufacturing concerns.

In spite of the slackening in the growth rate for 1986, IFO maintains that corporate investment is a key factor helping domestic demand take over from exports as the driving force behind economic growth, generally expected to be about 2.5 per cent this year.

Most experts predict that 1986 will see more of the same, although the IFO institute in Cologne, with links to the employers' association, forecast yesterday that the economy could expand by as much as 3.5 per cent next year, fuelled by a much-heralded, but long delayed upturn in private consumption.

According to the IFO survey, the raw materials and production goods sectors will make the running this year, having lifted spending by up to 25 per cent.

More than 50 per cent of the companies interviewed declared plans to boost investment next year. The main impetus should come from manufacturers of investment goods.

The trial opened yesterday, and was immediately adjourned for a week, of Mr Egon Franke, the former Social Democrat Minister for Inner German relations, on charges of misusing DM 5.65m (£1.5m) of Ministry funds between 1979 and 1982. Mr Franke's defence maintains that the funds not accounted for were used to buy the freedom of prisoners in West Germany, in transactions of which no financial records exist.

The week's delay follows objections from Mr Edgar Hirt, co-defender and former aide of Mr Franke, to the composition of the court.

## EUROPE ASKED TO CLARIFY ROLE OF ESA

## Nasa seeks talks on space station

BY PETER MARSH

THE US is urgently seeking clarification from the 11-nation European Space Agency (ESA) on the role the latter will play in the international manned space station due to be built under US leadership in the early 1990s.

Officials from the Paris-based agency have been invited to a meeting in Washington next month where they will be asked to make plain Western Europe's intentions for the station, which is due to provide a base for activities such as low gravity materials processing.

The meeting has been called by the US National Aeronautics and Space Administration (Nasa) which wants to finalise plans for the station by March, ready for engineering develop-

ments to start in January 1987. Mr Philip Culbertson, associate administrator for the Office of Space Station at Nasa, said yesterday in London that Western Europe had "found it difficult to get its act together" over the station.

The main difficulty appears to centre on the European agency's plan to provide a \$2bn (£1.4bn) laboratory, Columbus, that would fit into the main core of the orbiting facility on which the US plans to spend about \$8bn. Columbus would be similar to two other scientific laboratories provided by Japan and the US which also fit into the core.

The ESA countries decided last January to become involved with the US plans, by building

Columbus. But they also decided to pursue a long-term scheme for autonomy in space, which would involve developing Columbus to form an independent European space station at some unspecified date.

Mr Culbertson said yesterday it was not clear whether Columbus would be permanently attached to the US station or would be separated to form the basis of a separate venture.

"We are trying to plan the station to minimise duplication between different segments of the base," said Mr Culbertson. "This is made difficult if we think that the Columbus laboratory might one day suddenly disappear."

West Germany, which has

taken the lead role in planning Columbus, is keen for it to include hardware which would make it independent of the US core.

Dr George van Reeth, ESA director of administration, said yesterday the agency had still not decided on the details for the laboratory. He was surprised that the US needed to know the information as early as December.

Also at next month's meeting in Washington will be representatives from Japan and Canada, the US's two other partners in the space station.

Mr Culbertson said these countries had given Nasa a satisfactory account of the role they wanted in the scheme.

## Industry leader criticises labour regulations

BY PHILIP BASSETT, LABOUR CORRESPONDENT, IN PARIS

EUROPE'S LABOUR costs and rigid labour legislation are primary factors in the sharp difference between relative employment levels in Europe and the United States, Mr Caspar Cassani, the chairman of IBM Europe, said yesterday.

Addressing an OECD conference in Paris yesterday on large companies' role in job creation, he said that there had been a net gain of 20m jobs in the US over the past 25 years, while Europe had seen a loss of 3m jobs - at a time when both had broadly similar rates of growth in industrial output.

He said that "one undeniable factor is the competitiveness of labour" and pointed out that wages had grown much faster in Europe - a 20 per cent increase in real terms in manual labour rates in France and Italy over the past 10 years, compared to US rates holding

steady for the same period.

Wage benefits, social security payments and holidays had grown much more rapidly in Europe, and now represented a much larger proportion of labour costs, he said. Europe also suffered from labour market rules and regulations which were "well meant but achieved the opposite of what was intended and resulted in paralysing rigidities."

"Labour legislation in Europe makes it much harder to dismiss employees for economic reasons. And employers are therefore much more reluctant to take on new staff."

It also took much more time, in Europe to complete the legal formalities necessary to start a company - up to four months, compared with a few days in the US. This partly explained why more than 800,000 com-

panies were set up in the US last year.

In Europe there was still an antagonism to business. While Europe had a greater social stability - though that was itself now threatened - unemployment in Europe made such stability too high a price to pay.

Entrepreneurship is now a key business approach offering a new freedom of action for large companies, according to an OECD report considered by the conference.

The report said that "entrepreneurship can no longer only be identified with the traditional individual entrepreneur-proprietor; entrepreneurship is nowadays a way of tackling and handling business problems."

Entrepreneurship as a strategy was both becoming a key labour market concept and "offers a new freedom of action to large companies which had

previously been assumed to be a critical part of the explanation for small and new companies' recent advances."

The principal way large companies are promoting and using entrepreneurship is in what the OECD report identifies as the "pickback phenomenon" - using their industrial muscle to create peripheral jobs. However, the document says that there are probably fewer than 200 companies across Europe directly involved in job creation activities. Such corporate schemes have probably yielded not much more than 100,000 new jobs, compared with structural job losses of 10 to 20 times greater.

## FINANCIAL TIMES

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## Ex-minister to tackle ailing Romanian economy

BY LESLIE COLTIT IN BERLIN

MR STEFAN ANDREI, Romania's former Foreign Minister, has been placed in charge of the economy, which is reeling from a serious energy crisis. A state of emergency was proclaimed last month in the energy sector and power stations were placed under military control.

Mr Andrei replaced Mr Ilie Verdet as the central committee secretary in charge of the economy and control of party and state bodies, Western diplomats in Bucharest said.

A former Prime Minister, Mr Verdet became the chief victim of Romania's energy problems and last month was appointed Minister of Mines.

Although he is a brother-in-law of Romanian leader President Nicolae Ceausescu, his political future appears uncertain.

Mr Andrei, who devoted himself to foreign affairs for most of his career, enters a sensitive post which is subject to the decisions of President Ceausescu.

Some Western specialists believe he may have been brought back to the secretariat - where he was once responsible for international relations - as a potential successor to

Mr Ceausescu, who is allegedly ailing.

However, the Romanian leader delivered a lengthy and enthusiastic speech to his central committee this week which exuded optimism.

Net economic production next year would rise 15 per cent while agricultural output would increase 8 per cent to 7 per cent, he said. During the five-year plan ending next month, net industrial production rose some 6 per cent annually, while agricultural output went up 2.5 per cent annually. "Although climatic conditions were unfavourable," he said.

Conditions for the repayment of Romania's foreign debt were continuing to be created.

President Ceausescu lashed out at "some people" in other communist parties who wanted the private sector to play a larger role in socialism - an obvious reference to neighbouring Hungary - and said it would never happen in Romania.

Guidelines issued by the Hungarian Communist Party said the economy was to grow 3 per cent annually during the next five-year plan - more slowly than expected.

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## EUROPEAN NEWS

## STATE SECTOR CALL

## Rocard rethinks the basic socialist doctrine

THERE ARE some issues on which political leaders hold heretical views but where they judge that silence is the better part of valour. The strength of the French Socialist party's most probable candidate at the next Presidential election, is that he is ready to be outspoken if that encourages the party to re-think its basic doctrines.

The process is true over the delicate issue of the future of the nationalised industries. "The idea of allowing private shareholders a minority stake in the parent companies (of nationalised groups) does not shock me," he said in an interview.

"It is something I have always believed in. And more than that, it makes possible the type of cross shareholdings at group level without which strategic tie-ups on European scale are not feasible. But what does make me fearful is a massive programme of denationalisation."

Mr Rocard may have nourished such ideas for a long time but neither he nor other Socialist leaders have gone so far in spelling them out.

His initiative comes shortly after the Government, through the intermediary of Mr Laurent Fabius, the Prime Minister, put forward proposals that would legalise the possibility of nationalised groups offering to the public part of the capital in their subsidiaries.

It also comes on the eve of a major National Assembly debate on nationalised industries and President Francois Mitterrand's press conference on Thursday in which he is likely to defend the performance of the nationalised sector.

Mr Rocard declares himself a supporter of Mr Fabius's proposal, while seeing certain technical difficulties resolving the problem (of limiting fresh capital for the nationalised groups) and of saving face over the principle of state ownership of the parent companies, he said.

"But the problem is that if the capital structure of the parent companies and the subsidiaries is very different, then it is difficult to impose a unified management of their cash position. It is that type of management constraint that should lead us bit by bit to take a more flexible view" of the nationalised sector. In practice some nationalised groups have already sought a listing for subsidiaries on the Bourse (stock exchange).

Mr Rocard puts his initiative in the perspective of an indebted state no longer having the cash to provide the fresh capital funds that the nationalised companies will need, and of his view that the Socialists in 1981 should have gone for a 51 per cent stake on the companies they were taking over rather than full-scale nationalisation.

But equally he is a determined opponent of the denationalisation being proposed by the Opposition, on the grounds that it could allow US and Japanese companies to build up positions in French groups and that it will depress Bourse prices.

He said: "I am thus not favourable to a very large and massive programme of denationalisation. And I am not the only one. The whole of private industry would probably tell you the same."

Mr Rocard's outspokenness reflects the growing authority of a man who now sees his life-time ambition within reach.

Rejected as the party's candidate for the Presidential election in 1980, relegated to second division ministerial posts by President Mitterrand — until he is now the front runner to be the party's next Presidential candidate and thus the man most responsible for defining its programme.

He has long been the most popular Socialist leader in the public opinion polls. But it is only since the Congress of Toulouse in October and the slump in Mr Rocard's prestige, that Mr Rocard has also been accepted by the party leadership as Mr Mitterrand's most likely successor.

An opponent of what he called the "archaic" socialism under which the Socialists fought the 1981 Presidential campaign, Mr Rocard is now pushing the party toward a new credo that he believes will carry them over the next two elections.

He thinks that the Right is likely to gain an absolute majority in the National Assembly in March next year. But he also believes that his programme of economic, social and humanistic socialism could give the Socialists victory in a Presidential contest against a more abrasive Right in 1988.

"Mr Rocard sees the same 'imperialism' of the state which is forcing a rethinking of the party's ideas on nationalisation, and on France's costly social security programme. He told a recent gathering of businessmen that 'France must tackle the financing of its social security programme before it reaches a critical state.'"

"We cannot go on spending twice the amount on our health as our British neighbours," he said, "nor continue unchanged a system of retirement pensions financed by a diminishing workforce for a retired population whose life span grows longer and longer."

He advocates, both that individuals should shoulder more of health expenditure and in part finance their own retirement pensions. He says that the Government must "bit by bit try to gradually introduce for the 40-50 per cent better off a basic retirement scheme that would be topped up by a capitalised pension."

He is a traditionalist, notwithstanding a substantial trades union resistance to changes in work practices and organisations that will increase industrial productivity and create more jobs. He insists that trades unions must change their attitudes.

On macro-economic policy, Mr Rocard is much more cautious than he was in claiming that France can run a slightly higher growth rate. "We must live with fairly low rates of growth," he says.

"The great limit on France's growth rate is our balance of payments. We can only afford a higher rate of growth that is tied to or produced by an improvement in the balance of payments."

His emphasis on improving the competitive performance of companies has long made him an advocate of the de-indexation of salaries. "Hark! Hark!," he says, "The price of our firmness in removing financial imbalances is the paradox that under the Socialists salaries have fallen but Bourse prices have climbed. But I nonetheless draw attention to it."

As a politician, Mr Rocard's strength has been his warmth and spontaneity. It is this quality that has recently won him ground in the Socialist party as opinion turned against the calculating, technocratic style of Mr Fabius.

Nonetheless Mr Rocard's weakness as a politician is an absence of toughness which has long earned him a reputation of being a loser. "He is not a man who as President, would dare press the nuclear button," says one former Ministerial colleague.

## Fireside chat will open East-West encounter

BY REGINALD DALE IN GENEVA

THE GENEVA SUMMIT opens today with a private tete-a-tete between the two leaders at the lakeside mansion that the US has chosen as the venue for the first day of talks—a grand 19th century villa called the Fleur d'Eau.

Mr Mikhail Gorbachev will host the second and final day of the talks tomorrow at the hillside Soviet diplomatic mission—also a classical-style villa, the Villa Rosa, with a complex of newly-renovated modern outbuildings in the grounds. Mr Gorbachev is also staying there.

The initial tete-a-tete starts at 10 this morning and is scheduled to last for 15 minutes. Two armchairs will be set before a fireplace (snow is forecast) and President Ronald Reagan and Mr Gorbachev will have only their interpreters hovering in the background.

Mr Larry Speakes, the White House spokesman, said yesterday that the initial tete-a-tete was "open-ended," to allow the two men to "size each other up," and could last as long as 30 minutes. He suggested, however, that Mr Reagan and Mr Gorbachev would be anxious not to leave their staffs waiting outside for too long to what he described as "informal stand-up discussions."

The morning plenary session, at which both Mr Reagan and Mr Gorbachev will be flanked by half a dozen advisers, and Mr Gorbachev will be invited to speak first, is to be devoted to a general overview. At lunchtime, both leaders will adjourn for further staff consultations.

The first afternoon has been earmarked for a plenary discussion of arms control, and in the evening Mr Gorbachev hosts a dinner at the Soviet mission.

Tomorrow, the arrangements are reversed, with the plenary sessions in the Soviet mission and Mr Reagan giving the dinner at the Madison Saussure, his residential headquarters just along the lake from the Fleur d'Eau.

What happens on Thursday morning has yet to be agreed. But it seems likely that the two leaders will appear at either joint or separate closing ceremonies to give their accounts of what has been achieved. Mr Reagan then goes to Brussels to brief Nato leaders in the afternoon and straight back to Washington to report to a special joint session of Congress at 9 pm Eastern US time the same night.

Mr Gorbachev and his wife arrive (right) at Geneva.

THE SUMMIT, and the dispute over President Ronald Reagan's Strategic Defence Initiative (SDI) which threatens to dominate it, have now become ingredients in Bonn's favourite guessing game of the moment: will Mr Erich Honecker, the East German leader, pay a visit here in a few weeks time?

Over the past month speculation has steadily mounted that it is claimed make a "working visit" to Bonn for a few hours. Although officials here maintain they have had no signals from East Berlin, the speculation drew further fuel from last week's apparently successful visit there by Mr Oskar Lafontaine, the Social Democrat Premier of the Saarland. Mr Honecker himself added cryptically that he still was keen to make the visit, "when the time was right."

Whether early December is the right time depends, analysts agree, to some extent on the outcome of the Reagan-Gorbachev talks and the exact moment of any understanding between Bonn and Washington over the vexed question of West German participation in the SDI.

Although East-West German relations can be surprisingly independent of the mood between the superpowers, officials accept that it would be hard for Mr Honecker to come here in the immediate aftermath of conspicuous failure in Geneva.

THE GENEVA SUMMIT

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## Honecker visit likely to depend on outcome

BY RUPERT CORNWELL IN BONN

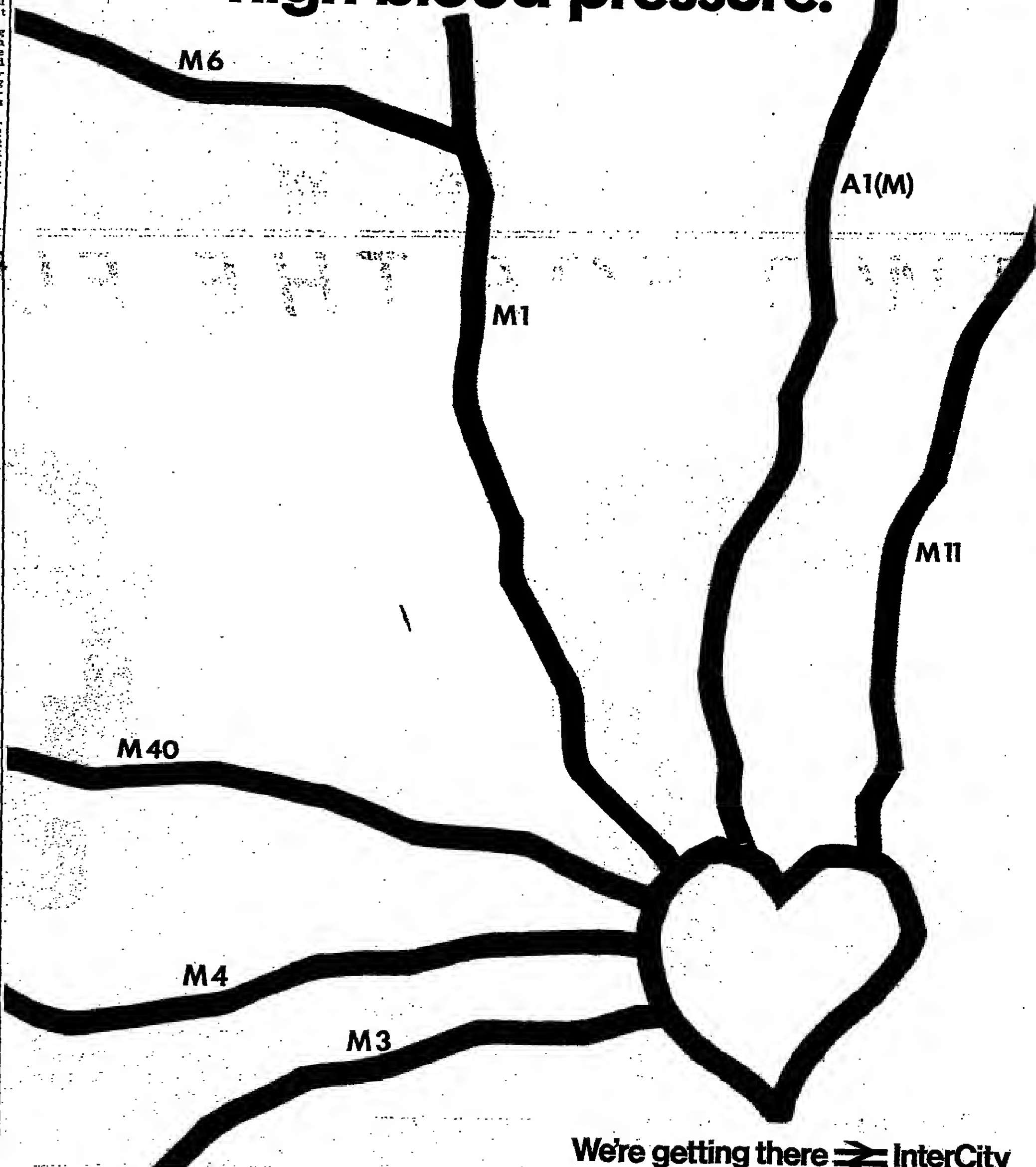
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## Air controllers' pay strike disrupts Spanish flights

BY DAVID WHITE IN MADRID

SPANISH air services were disrupted by delays and cancellations yesterday as air traffic controllers started a nationwide strike in pursuit of higher pay and shorter hours.

Minimum service provisions invoked by the Ministry of Transport kept the number of flights cancelled by the national

carrier Iberia and its domestic sister airline Aviaco down to 74. These included 13 connections with European capitals.

The industrial action is due to continue today with little sign of settlement in view. Mr Manuel Mederos, director-general of civil aviation accused the controllers of wanting to be "the best paid in Europe at the same time as working the least." He said the administration was ready to discuss technical improvement and more rest-hours but would not let its arm be twisted and raise pay by 70 per cent—which is what it says the demands amount to.

Spanish air controllers currently earned as much as or more than their counterparts in France, Italy and Portugal. Mr Mederos said, describing the strike campaign as "absolutely irrational and senseless."

The two-day strike follows a similar protest last week at the airport centres of Madrid and Palma in the Canary Islands.

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## OVERSEAS NEWS

## Singapore suffers severe slowdown

BY CHRIS SHERWELL IN SINGAPORE

SINGAPORE'S economy will contract by around 2 per cent this year, Mr Lee Kuan Yew, the Prime Minister, has forecast, and he has ruled out any great improvement next year.

The forecast, given in an interview with Asahi Shimbun, the Japanese daily, confirms that the economy's deceleration this year will be one of the severest suffered by any country in the world. Growth in 1984 was 8.2 per cent.

Mr Lee said he based his forecast on figures up to October, although the Government has not even published figures for the third quarter. These were due out at the beginning of the

month, and most people expect a contraction worse than the second quarter figure of minus 1.4 per cent.

Singapore has suffered negative growth only twice in the 25 years since self-rule—in its first year and in 1964. For the past 20 years the island state has averaged just under 10 per cent annual growth.

One reason for the reversal is slow growth in the US, on which export-driven Singapore has become increasingly dependent.

But domestic construction has also slowed, and local industries such as ship-repairing, oil refining and petrochemicals face declining demand.

In addition high labour costs and a strong dollar have drastically eroded Singapore's competitiveness.

According to Mr Lee, "It is difficult to see great improvement next year because, even if there should be a pick-up in the American economy, which may boost our manufacturing, our construction is slowing down."

Major construction projects used for counter-cyclical spending had come to an end.

The Prime Minister indicated that it would take around three years for Singapore to recover from the recession. "We have to increase our productivity, hold wages at their present

levels and look for sunrise industries," he said.

In the past, Mr Lee has pointed to industries such as biotechnology, computer products, specialty chemicals and telecommunications equipment as potential growth areas.

The Government has taken certain measures over the past few months to counter the worst effects of the reversal.

These are said to amount to a stimulus worth \$51bn (£320m) in the current fiscal year. The measures included cuts in telecommunications and other charges, property tax rebates and fuel and power price reductions.

## S. Korean students in new clash with police

By Steven A. Butler in Seoul

STUDENT VIOLENCE rose again in South Korea yesterday as 176 students occupied a training centre of the ruling Democratic Justice Party (DJP) in southern Seoul and burned out the second floor of the building as police fired tear gas at them.

This incident is the latest in a series of clashes between students and police that have become nearly a daily event.

Students stormed the DJP training centre, overrunning guards with petrol bombs and clubs. They held out in the building for six hours, unfurling banners and shouting slogans against South Korea's President, Chun Doo-hwan.

They called for an end to US support of the South Korean Government.

The students sprinkled petrol around the building and later carried out a threat to set fire to it if police moved in. All of the students were arrested.

One student was injured as he leaped from the roof of the building, while two policemen and one fireman were injured by stones hurled at them.

Students in Seoul have recently broadened the scope of their protests, assembling at unpredictable locations around the city, demonstrating against the Government, and hurling petrol bombs.

## Soweto hospital crisis worsens

BY ANTHONY ROBINSON IN JOHANNESBURG

THE CRISIS at Soweto's Baragwanath Hospital, where army medical personnel were moved in over the weekend to replace striking student nurses and auxiliary staff, deepened yesterday when 800 nurses were told to vacate their hostel within 24 hours.

According to a Health Worker's Association spokesman, more than 300 auxiliary workers were also escorted by armed police to the administration block and obliged to accept their final pay packets.

Lawyers acting for the unions concerned were seeking an urgent court order to prevent the evictions while attempts were also under way to seek the intervention of the Minister of Health, Dr Willie Van Niekerk, in a dispute which risks spreading to other hospitals.

The South African Black Municipal and Allied Workers Union (SABAMU) which represents many of the dismissed nurses and auxiliaries, was threatened to spread the strike to other hospitals and has sent telegrams to two international unions—the Paris based Public Service International, and the Post, Telecommunication and Telegraph International, seeking a boycott of all South African goods and postal services.

The dispute at the 3,500 bed hospital which services Soweto

## Boy bias beats China family planners

By Robert Thomson in Peking

HAVING admitted that long-standing population control aims are unlikely to be realised, a Chinese Government, acutely conscious of international attitudes to its controversial population control programme, now finds itself with less room for manoeuvre.

Instead of the hoped-for 1.2bn people by the year 2000, the Government-run Peking Review magazine now puts the likely figure at 1.25bn and rising. Instead of relaxing its tough stance on birth control, the Government has more reason to tighten its grip.

Chinese leaders are extremely sensitive to criticism of the programme, however, and are keen to win the hearts and minds of an unappreciative but influential audience in the US Congress, where conservatives have extended the boundaries of their national anti-abortion campaign to take in China.

The American anti-abortionists push against US funds being used for Chinese population control and cut \$10m from a grant to the United Nations fund for population activities. They also delayed the appointment of the new US ambassador to China, Mr Winston Lord.

At the centre of the US debate is an allegation that the Chinese Government, which calculates that there were 50m abortions last year, actively encourages forced abortions as a means of population control. While Chinese officials admit that over-zealous provincial officials have made mistakes by forcing abortions, they deny that such things are officially condoned.

Another source of embarrassment to the Chinese is the regular reports of female infanticide, which arises from the traditional preference for male children. Again the Government denies that it approves of the killings, and has publicised cases in a bid to eradicate the practice.

The Chinese Press reported that in two counties in the south, 210 baby girls were known to have been killed by their parents in 1983. The gruesome case histories included the drowning and strangling of newborn children. In the rural areas, if a family is to have only one child, "it is some dominant fathers insist that the child must be a boy."

A boy is believed to be more productive in the fields, and, more significantly, when a man is married, his wife becomes part of his family. Bringing up a female is therefore considered to be a bad investment.

Concessions have been made by the Government in allowing minority groups to have more children and the parents of handicapped children to have another child, but some concessions have served only to perpetuate the boy bias. In southern Guangdong province if a family's first-born is a girl, the parents are allowed to have another try for a boy.

In this week's Peking review, two letters were published from outraged provincial family-planning workers who defend China against the slander of a few people in the US. One of the workers told how she convinced a reluctant young wife to have a second child.

Another couple could not agree on whether to have a second child. The wife said she did not want another. Her husband however did want another, the worker, Cui Feibao, explained. "Through my persuasion, the wife decided to respect her husband's will. Now both are delighted with their second child."

They will probably not be so delighted by the loss of a state grant given to families who agree to have one child, or to the tax increase imposed on parents who multiply beyond the one-child limit.

The Chinese Government would no doubt like to ease the family planning controls to make the programme more internationally acceptable, but the overcrowding problems created by such a relaxation would verge on the disastrous. In the most congested sections of Shanghai, each person has about two square metres of living space. Finding elbow room is a problem in almost every city.

The Chinese Government has begun to research the long-term social side-effects of the one-child policy, which includes the spoiled brat syndrome and the greying of China's baby-boomers—the result of Chairman Mao's population drives in the 1950s and 1960s.

A researcher at the Chinese Academy of Social Sciences, Chen Jiacong, said that the Government is concerned that pampered single children will have a "centrifugal social force" rather than the "centripetal social force" that is more conducive to successful socialism.

As for the ageing problem, Chen foresees that the critical time will be about 2020. He frankly admits that there will be serious problems caring for the elderly, as for two sets of grandparents there will be only one married couple to provide support.

## Mahathir in bid to boost links with China

BY WONG SULONG IN KUALA LUMPUR

DR MAHATHIR MOHAMED, the Malaysian Prime Minister, begins an eight-day official visit to China tomorrow, aimed at expanding trade and commercial links.

But the Malaysian leader has ruled out the prospect of any deepening of existing political and diplomatic relations.

In Peking, Dr Mahathir will hold talks with his Chinese counterpart, Zhao Ziyang and the senior Chinese leader, Deng Xiaoping. A number of economic agreements are expected to be signed, these include avoidance of double taxation, a shipping pact and an agreement on direct trade.

China is expected to agree to

buy 200,000 tonnes of hot briquetted iron from a Malaysian sponge iron plant in Sabah, while a Malaysian company, QBS, is expected to win contract to build a major trade and science exhibition centre at Tianjin.

Last year, total bilateral trade amounted to nearly \$600m and is strongly in China's favour. With Western countries consuming less and less of Malaysia's commodities such as rubber, palm oil and timber, the China market is an obvious alternative which Dr Mahathir will try to win.

Although Malaysia became the first country within the

Association of South-East Asian Nations—ASEAN—to establish diplomatic ties with China in 1974, Kuala Lumpur's distrust towards Peking's intentions are deep and difficult to appease.

Like Indonesia, Malaysia regards China, and not Vietnam, as the long-term security threat to South East Asia.

Dr Mahathir sees China as engrossed in its own internal modernisation under the leadership of Deng. However, Malaysia fears that an economically powerful China could, in future, come under an ambitious and militarily-inclined leader and this could spell trouble for South-east Asia.

It is in this context that Malaysia is unhappy with US plans to build up China's defence capability against the Soviet Union, since it fears that such weapons could well be used against China's southern neighbours.

Malaysian suspicions of Chinese intentions are reinforced by Peking's continued support for the local Communist parties in South-east Asia.

But the Malaysian Government recently carried out a major review on its China policy and concluded that an expansion of trade and commercial ties could be fostered without jeopardising national security interests.

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## Zia likely to visit India next month

By Stewart Dalby in Muscat

PROSPECTS rose yesterday for a major improvement in relations between New Delhi and Islamabad with the announcement that President Zia ul-Haq of Pakistan may continue direct talks with India's Prime Minister, Mr Rajiv Gandhi, next month.

The two men met yesterday during Oman's national day celebrations and described their half-hour talks as "very good".

There was no official confirmation that President Zia would go to New Delhi, but officials said privately after yesterday's meeting that he was likely to visit the Indian capital on December 16 after the Dhaka summit.

Mr Gandhi was quoted yesterday as saying: "The mood is there for normalisation."

India and Pakistan have fought three wars since their 1947 partition, with relations kept under almost constant strain because of sporadic fighting along their frontier and Indian suspicion that its neighbour is building a nuclear bomb.

While the two men have met on four occasions since Mrs Indira Gandhi, the then Indian Prime Minister, was assassinated two years ago, President Zia has paid only one previous visit to New Delhi for full bilateral talks. Those were with Mrs Gandhi in 1982.

## Military solution feasible says Jayewardene

PRESIDENT Junius Jayewardene of Sri Lanka thinks that a military solution to his country's ethnic conflict is "feasible" although he still believes it is "not desirable."

The violence in the north and east can be controlled within a year but it may continue at a lower level for a few more years, he said yesterday—the first time the President has spoken of the feasibility of a military solution so openly.

Reuter adds from Colombo: Four civilians, including a baby girl, have been killed in Sri Lanka's northern province, security officials said yesterday. Tamil guerrillas fighting for a separate state in the north and east killed a woman and her two-year-old daughter when they attacked a village at Padaviya, they added.

## Iraqi 'attack Kharg Island and tanker'

IRAQI WARPLANES yesterday attacked Iran's Kharg Island oil terminal and an unidentified ship off the Iranian coast, and said it had downed an Iranian jet fighter in the central border region, AP reports from Baghdad.

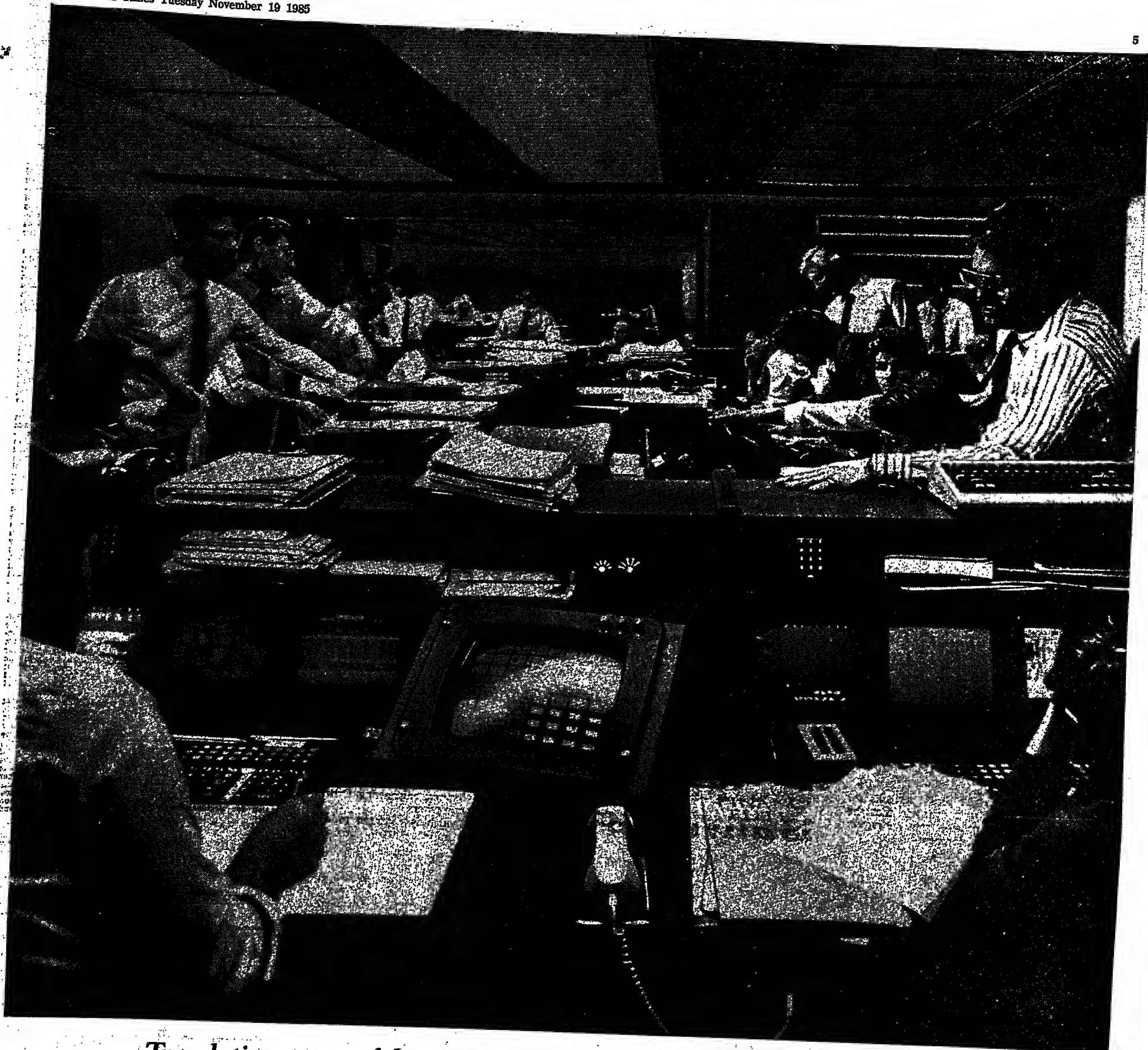
The "successful and devastating" raid on Kharg Island, the 46th since mid-August, was carried out at 0510 GMT, a military spokesman said on state radio.

Stewart Dalby reports from Muscat: Sultan Qaboos bin Said of Oman yesterday called on Iran and Iraq to come to a peaceful conclusion to their war, now in its sixth year.



Financial Times Tuesday November 19 1985

5



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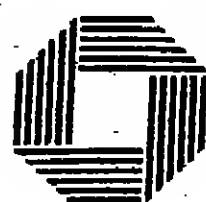
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## AMERICAN NEWS

## Substantial changes to tax reform Bill likely

By Stewart Fleming in Washington

THE CHAIRMAN of the US House of Representatives' ways and means committee, Mr Dan Rostenkowski, is still hoping to complete work on the tax reform Bill which the committee has been working on for the past two months.

He is making it clear, however, that even if this ambitious deadline is met, the bill which finally emerges from the committee, which has the constitutional authority to originate tax legislation, will differ significantly from what the Reagan Administration wants to see.

Yesterday, in a further delay, a full committee session was postponed while two "working groups" of the panel, dealing with tax shelters and research and development tax credits, met to try to draft detailed proposals.

Over the weekend, during the course of drafting sessions called by Mr Rostenkowski to try to speed up its work, he disclosed that he expects the bill to have a top marginal rate higher than the 35 per cent level the Reagan Administration has said, it is not prepared to compromise on.

Mr Rostenkowski maintained, however, that the bill would still amount to "the biggest tax reform Bill in American history", and in a bid to put pressure on the White House to accept it, added: "I would not want... us to lose the opportunity to write history in as large a document as this over one or two percentage points."

But Mr Rostenkowski has conceded that some of the biggest issues, apart from the top marginal rate, have yet to be resolved.

Even if the committee does succeed in meeting its ambitious deadline, Mr Rostenkowski has acknowledged that the full House may not be able to approve the bill by Christmas.

He conceded yesterday that there was even the possibility of a filibuster in the committee.

## Superstar lawyer leads fight against tobacco groups

BY TERRY DODSWORTH IN NEW YORK



Bell... megabuck income

THE PRE-FIGHT skirmishing is over, the battle lines drawn, and the first shots were fired yesterday in what promises to be one of the most controversial legal contests ever fought in the US.

On the one side stands Mr Melvin Bell, the flamboyant Californian lawyer whose campaigns against big business have given him superstar status and a megabuck income. On the other are a phalanx of lawyers, meticulously prepared to defend the tobacco group R. J. Reynolds from charges that its cigarettes led "to the development and aggravation of cancer" in Mr Bell's client.

"They have spent \$3m on this case already, and they have a team of 20 lawyers," says Mr Bell disparagingly. "We have just two—but only one of us can speak at a time, and we are 20 times as smart."

The R. J. Reynolds trial, to be held in Santa Barbara, not far from President Reagan's home, has attracted widespread interest in the US because it marks the beginning of a new legal offensive against the tobacco industry by the anti-

duct liability cases—most significantly against the Manville smoking lobby. At the moment, there are 35 cases outstanding against US tobacco companies, and two more are due to come to court within the next few months.

Lawyers say they are aiming to hit the tobacco companies with so many cases that they will not be able to bring their overwhelming financial strength to bear on any one courtroom.

Although Reynolds insists that this wave of trials is nothing new, there is no doubt that the lobbyists have already made an impact. Tobacco shares have fallen more than 20 per cent from their peak in early spring, at a time when the stock market has risen by around 15 per cent, and both Reynolds and Philip Morris, the two dominant groups in the US, have slashed out billions of dollars buying food companies in order to reduce their exposure to tobacco.

Some analysts are now talking about tobacco company shares as "speculative" stocks, a clear sign of the nagging doubts inspired by other pro-

group, which was plunged into bankruptcy by health claims against asbestos. Nevertheless, despite these

doubts on Wall Street, the fight against the tobacco industry is far from over. The case against Mr Bell himself lost a famous battle against Reynolds, and since then there have been a series of sporadic but totally futile efforts to try to show that the cigarette companies have a legal liability for causing cancer in smokers.

"Over the last 15 to 20 years, 200 cases have been brought against the tobacco companies," says a spokesman for Reynolds. "Of these, 145 have been disposed of. The score? Tobacco industry 145, plaintiffs zero."

Mr Bell is not in the least perturbed by this record of failure. "Times have changed," he says, "referring to his own defeat 20 years ago. 'Today there is better law, better science, better analysis and better fact.'"

He has already sketched in the main points of his strategy—first to establish the link between smoking and cancer, something that has never yet stood up to courtroom scrutiny, and then to show that tobacco is addictive.

As in many Bell cases, he

has an emotional subject to deal with: the dead man, whose family is demanding damages of \$100m, was so deeply dependant on tobacco that he was caught removing his oxygen support system to take a puff of a cigarette.

Mr Bell's bonny self-confidence is an intrinsic part of a style that has won him both acclaim and enmity over the years. Although he has represented many of the rich and famous, he is known above all for spellbinding courtroom presentations that have vastly expanded the concept of product liability—the notion that a company is responsible for the products it puts on the market, or a professional person for the services he offers.

Indeed, to a large extent Mr Bell led the way in a legal revolution that now has caused furious rows over the astronomical increases in some insurance policies, especially those covering medical malpractice and some forms of corporate risk.

Inevitably these actions have made him into a bete noire in some quarters, where he is disparagingly dismissed as an

"ambulance chaser" who lives parasitically on the anguish of others — liability lawyers often work on contingency fees in which payment is a percentage of the damages awarded.

To the underdogs who have benefited from Mr Bell's intervention, however, he remains unquestionably the "king of torts" as Life magazine once called him. His attitude is that big business has to be hit in its pocket to be made to act responsibly, and, at 78, he is attacking the Reynolds case with the gusto of a young man in pursuit of a juicy prey.

He has already won the first rounds of the publicity battle, receiving widespread coverage for his novel way of attending the trial — he is sailing his 110 foot yacht, which contains 8 luxury staterooms, down to Santa Barbara to act as a floating headquarters.

The yacht, he reminds inquirers, is named the Adequate Award; and in case he is accused of self-interest in what is bound to be a particularly gruesome trial, he insists that he is giving all his fees to cancer research.

## Colombia seeks answer to disaster

By Anita Kendall in Bogotá

AS THE avalanche of mud that buried the town of Armero, central Colombia, solidifies, arguments are focusing on whether the tragedy that killed more than 22,000 people could have been avoided.

Even at this stage the danger of another eruption of the Nevado de Ruiz still exists, according to Mr Haroun Tazieff, a French expert. He had not been able to see the crater because of the steam and debris, but there was always the possibility of further activity after a week, or a month, or even years, he said.

The Colombian Government warned people in the area to be on alert after two explosions were heard near the crater on Saturday afternoon and people streamed out of the towns near Armero to shelter on higher ground.

Some, particularly survivors of the mud-slide, have stayed there. One woman sheltering under a piece of plastic with her two children, said she had been on the hill-top since crawling out of the mud-slide caused by Wednesday's eruption.

Helicopters are still looking for — and occasionally finding — trapped people. Many of those who escaped refuse to leave the area: they are looking for friends and relations and have nowhere to go.

Clothing, tents, food and medical supplies are reaching the refugees, but rescuers fear the outbreak of epidemics. The next stage will be to plan for those left homeless.

The number of homeless survivors is small compared to the number of dead, and the national and international response to the disaster has ensured that immediate material needs are being met.

Every possible culprit is being blamed, from the village priest who said Armero's residents should remain and keep calm, to the Colombian Government for not carrying out full-scale evacuations.

Mr Paul Bell, US regional adviser on disasters, said there had been no possibility of an early warning.

"If we did respond to every kind of concern we have we would be moving hundreds of thousands of people every month and that of course is rather ridiculous. I don't think we should be so smug in laying blame for events that are totally unpredictable."

Other experts have said stronger measures should have been taken when the volcano showed signs of activity.

## Joke on the jokers as democracy triumphs in Brazil polls

BY ANDREW WHITLEY IN RIO DE JANEIRO

PASQUIM, the Brazilian equivalent of Private Eye, the British satirical weekly, or Le Canard Enchaîné in France, ran an entertaining spoof on its front cover last week. Its "painful duty," the magazine said, was to announce the political death of Janio da Silva Quadros, on 15th November 1985—"run over by democracy."

Sad to report, as soon as the ballot boxes started to come in on Friday night from Sao Paulo, where the former Brazilian President was running for mayor, it rapidly became evident that the joke was on the jokers.

Not only in Sao Paulo, but in many of the other 200 towns and cities where municipal elections were held last week,

democracy triumphed, leaving the traditional power brokers of Brazil with egg all over their faces.

Nowhere was this more evident than in the north east, long dismissed by the rest of the country as a backward region where voters had been led by the nose to the slaughterhouse.

In Natal, where Governor Jose Agripino Maia was caught red-handed trying to fix the results in advance, his candidate was soundly defeated. In Sao Luis, home town of President Jose Sarney, the Sarney family candidate went down to his rival from the much-diminished Social Democratic Party, the military's former political vehicle.

But the sweetest triumph of all for lovers of the underdog was the sensational victory pulled off by the Left-wing Workers' Party in Fortaleza, whose politics since time immemorial have been closely controlled by a small clique of ruling families, the "colonels" of the north-east.

The Workers' Party (PTI) was one of the real surprises of last Friday's elections, putting up a much stronger performance than had been predicted outside its traditional stronghold of Sao Paulo. With a bit of luck it could today have been in control of two other state capitals, Goiania and Vitoria.

As they licked their wounds,

the political chieftains of the Brazilian Democratic Movement Party (PMDB), the senior partners in the government coalition, must be blaming the PT for the party's shock defeat in Sao Paulo, where Senator Fernando Henrique Cardoso lost to Mr Janio Quadros by a narrow 3.4 per cent margin.

The PT polled nearly 20 per cent and effectively split the Left-wing vote.

Although a close race had been predicted, the opinion polls had consistently given the advantage to Senator Cardoso, a sociologist and former Sorbonne professor, whose rapid political ascendancy has now received a severe setback.

What the pollsters and the PMDB underestimated, to their cost, was the strength of the almost messianic appeal which former President Quadros has for a certain type of Brazilian.

His personal eccentricities make him a wonderful butt for the cartoonists and political pundits. His drinking problem is widely aired. His abrupt resignation from the presidency in 1961, after only seven months in office, claiming that "hidden forces" were working against him, is regularly produced as evidence of his

instability and unreliability. It was this resignation that plunged the country into chaos and led to the 1964 military coup.

But none of these defects make any difference to Mr Quadros's supporters, most of them lower middle class shopkeepers or minor civil servants concerned about issues such as law and order. For them, the man with the symbol of the bronze-to be used to clean out corruption and incompetence—can do no wrong.

A powerful, emotive speaker, Mr Quadros has lost little of the fire and brimstone which gave him in 1960 the largest electoral victory in Brazil's history. President at the age of 43, he was often compared with his contemporary, President John Kennedy of the US.

His resignation, which has never been properly explained, is usually said to have been a failed manoeuvre to overcome a stubborn Congress blocking the president's pet projects. Subsequently, he sank into obscurity for many years, with occasional, fitful comeback attempts. This time with the help of some powerful political barons of the contemporary



Winner: Mr Quadros

scene, he has regained an important elected office.

As mayor of Sao Paulo and more Right-wing than ever, he can be expected to use his position to propel himself and his ideas onto the national stage in much the same way as Mr Jacques Chirac has done in Paris.

New Issue November 19, 1985



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## WORLD TRADE NEWS

## Tokyo rejects EEC proposals to lift imports

BY JUREK MARTIN IN TOKYO

THE European Community has made scant progress in its latest attempt to find ways of persuading Japan to import more. Mr. Shintaro Abe, the Japanese Foreign Minister, and Mr. Willy de Clerq, Commissioner for External Relations and head of the EEC delegation, said yesterday that Japan had turned down the EEC request that it set quantified import targets for manufactured goods.

According to Mr. de Clerq, Japan had also rejected an alternative EEC proposal that it adopt a four part programme embracing import forecasts, monitoring, a publicly pronounced long term "import vision" and macro-economic fiscal and monetary measures designed to stimulate imports.

Mr. de Clerq described these measures as "merely procedural" and added that the adverse Japanese reaction would be noted in the mission's report to the Commission.

Mr. Abe, who emphasised that three days of formal and informal talks here had been marked by the absence of a "confrontational manner," said that quantifiable targets for imports was an unrealistic approach.

He said it was not compatible to Japan's existing import measures. He conceded that Japan's "import propensity" was too low but suggested that this problem could be met by structural changes on which he gave no

details, in the Japanese economy and by the maintenance of a higher value for the yen, to which the Japanese Government was strongly committed.

The EEC mission had never expected to get Japanese backing for specific import targets. It had, however, expected a more positive response to its alternative set of proposals.

Mr. de Clerq and Mr. Abe insisted that the question of EEC retaliation against Japan (for example, through action under the General Agreement on Tariffs and Trade) had not been raised in this session. Mr. de Clerq, however, said that the EEC's position on this was too well known to need restating.

The major consolation that Mr. de Clerq and his Commission colleagues pointed to was that the Japanese admission that its propensity to import was, by international standards, too low.

Mr. Abe said the Japanese side had referred to its latest \$4bn (£2.8bn) domestic demand package, promulgated last month, and had suggested that the 1986-87 budget now under more might be forthcoming in compilation. But again he provided no details and he reiterated Japan's known deficit problems.

## Japanese tractor maker launches US sales drive

BY IAN RODGER

KUBOTA, the leading Japanese farm equipment maker, is planning a major assault on the US market for medium sized tractors.

The move could present a strong challenge to British and West German producers, which dominate the US market for this category of tractor (40 to 100 horsepower).

Mr. Tatsuji Yumiba, an executive managing director of Kubota, said in a Financial Times interview that the company had begun marketing its new medium sized tractors in the US on a limited basis, and was ready to step up its efforts

there. "It is a huge market with an immense absorption power," he said.

A move by Kubota into medium sized tractors has long been a subject of speculation in the European and North American farm equipment industries. The company has long been the world's leading supplier of small farm and garden tractors, expanding from a solid base on Japan's small scale farms. But it has hesitated to make larger machinery because of its limited potential in the home market.

Mr. Yumiba said less than 5

per cent of the 100,000 tractors sold annually in Japan were more than 40 horsepower. In the US, the market for medium sized tractors is about 45,000 units a year.

Kubota developed a range of medium sized tractors about five years ago, and is now confidently about its competitiveness to launch it in export markets.

Initially, Kubota plans to concentrate its exports on the US market, partly because there is no longer any significant domestic production of these machines in the US and partly because

many of its 500 US dealers are enthusiastic. "They and their clients seem to be very happy with the quality of Kubota products and they are asking for more," Mr. Yumiba said.

The company is not considering competing in European markets because "there is a substantial production base there."

"We would like to take time to see how we are accepted in the US before trying elsewhere," said Mr. Yumiba. He acknowledged that the US market was very competitive. "It is not going to be easy. We

will take some time to work ourselves into the market." One problem is that a few US Kubota dealers already sell medium sized tractors made by another producer. "There may be some conflicts," Mr. Yumiba said, but there were "not many" cases of this kind.

Britain is the main source of medium sized tractors for the US market, with Ford and J. I. Case of the US and Massey Ferguson of Canada all having concentrated production of this category in the UK.

More than 13,000 medium sized tractors, worth roughly \$85m, were exported from the

UK to the US last year. Deere, the US industry leader, exports substantial numbers of medium sized tractors to the US from its plant in West Germany. Other European producers, such as Deutz of West Germany and Fiat of Italy also export tractors to the US.

Yanmar, the other major Japanese maker of small farm equipment, said last week that it would not follow Kubota's move into the medium sized tractor business. It sells its small tractors up to 60 horsepower in the US on an original equipment manufacturer (OEM) basis to Deere.

## West European light van market under attack from Japan

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

BY THE 1990s the Japanese will take 40 per cent of the Western European light van market—the fastest-growing commercial vehicle sector headed by Volkswagen of West Germany and Ford—according to the DRI forecasting group in a report published today.

DRI says that during the past five years the Japanese have built their penetration of the European light van market to 20 per cent. Two developments in particular appear likely to extend the trend.

Firstly, the Japanese will manufacture more vans in Europe at their own factories. Nissan already is making its Vanette at its Motor Iberica subsidiary in Spain, for example.

Secondly, in response to their own falling market shares, the Europeans are likely to look for ways to reduce the cost and

investment needed for new van ranges and will use Japanese vehicles to do so, either by importing them fully built-up to Europe or by producing Japanese-designed vehicles.

The trend has already been established. Ford recently added a light van produced by its Japanese associate, Mazda, to its range in West Germany, while both Daimler-Benz and General Motors have made arrangements to assemble vans based on Japanese designs.

D-B, the Mercedes group, will produce a Mitsubishi light van at its subsidiary in Spain while GM's Bedford offshoot in the UK is making vans based on Isuzu and Suzuki vehicles.

The possibility of selling these vans in the important French and Italian markets, which would otherwise place quotas on Japanese imports, is a major attraction of "Euro-

peanising" Japanese designed light vans, DRI adds.

"On present plans Europeanised vehicles could take 10 per cent of the European light commercial vehicle market, in addition to the near 20 per cent already taken by Japanese imports."

"Our expectation is that other manufacturers will join in the process and could take the penetration of Japanese designed light commercial vehicles to 40 per cent eventually."

This will make it increasingly difficult for European manufacturers to obtain the 100,000 annual sales volume they need for investment in major new light vans—such as the Ford Transit replacement, due shortly, or replacements for the Renault Traffic/Master range or the vehicles produced in Italy and sold as the Fiat Ducato/Peugeot J5/Citroen C25/Talbot

Express.

The DRI report covers demand and production of commercial vehicles by gross weight for 11 European markets up to 1995.

The report suggests the outlook is brightening for the European truck manufacturers. European sales have stabilised at last year's level after four years of decline, and production has begun to show modest growth.

For many companies exports have been the chief support to recovery and China in particular has provided at least a temporary market for European trucks with useful volumes. Even so, Japanese manufacturers have won the lion's share of the available business in China.

The DRI European Trucks Forecast Report, £9.50 from DRI, 30 Old, Queen Street, London SW1H 9HP.

## EUROPEAN TRUCK PRODUCTION

	1984	1985	1986	1987
<b>MEDIUM/HEAVY TRUCKS</b>				
West Germany	118.1	126.3	126.1	147.1
France	40.3	29.3	32.3	37.8
UK	59.4	56.3	57.6	54.7
Italy	39.4	48.0	48.0	53.4
Spain	16.0	17.2	16.1	22.6
Sweden	53.0	56.4	58.6	67.2
Netherlands	12.4	12.4	12.9	13.9
Total	331.5	345.0	351.6	396.6

## LIGHT COMMERCIAL VEHICLES

	1984	1985	1986	1987
<b>LIGHT COMMERCIAL VEHICLES</b>				
West Germany	204.0	217.5	221.9	245.4
France	305.9	296.6	323.0	370.4
UK	144.1	181.0	181.0	194.6
Italy	116.2	143.1	124.7	149.0
Spain	85.9	121.1	124.8	157.3
Belgium	35.2	48.1	61.4	67.1
Total	892.3	1,016.5	1,042.7	1,165.9

Source: DRI.

## China and UK in flights pact

By Lynton McLane

THE UK and China have agreed to increase the number of flights between Peking, London and Hong Kong.

The Hong Kong to Peking route will be served by two additional scheduled services a week by Cathay Pacific and two additional services by CAAC, the Chinese civil airline.

CAAC is also planning to introduce its second weekly service between London and Peking. (The extra flights were needed to replace air services under the Civil Air Transport Agreement, signed in London in November 1979.)

The flights by Cathay Pacific between Hong Kong and Peking will be the airline's first scheduled flights on the route. Cathay operates a weekly charter service to Peking from Hong Kong.

More talks are to take place between British Airways and CAAC to examine the future of British Airways' route from London via Hong Kong to Peking. There was nothing in the latest agreement to change BA's rights on the route.

Both sides expressed interest in servicing additional points in China, and there will be further discussions about this "in due course," the transport department in London said yesterday.

## South Korea considers tyres tariff

By Steven S. Butler in Seoul

SOUTH KOREA may impose a 10 per cent emergency tariff on tyres in an attempt to curb a surge in imports.

The Ministry of Trade and Industry has formally requested the Finance Ministry to adopt the measure, which would raise tariffs on imported tyres from 35 per cent to 45 per cent.

South Korea imported 355,000 tyres in the first eight months of the year, an increase of 135 per cent, and imports by the year-end are expected to reach 550,000, a rise of 107 per cent. The bill for imported tyres this year is expected to reach about \$13m (£9.6m).

Michelin holds close to 70 per cent of the imported tyre market and Goodyear about 12 per cent.

The demand for tyres in South Korea is growing rapidly as the vehicles industry expands. Korean manufacturers supply more than half the tyres for the nation's cars. Goodyear is known to be interested in establishing a joint venture for tyre production in South Korea.

## Austrians win Lebanon deal

ELIN-UNION, Austria's state-owned electrical engineering company, has won a share in a \$600m (£33m) contract to extend a power plant at La Kadisha, near Tripoli, in northern Lebanon. Patrick Blum reports from Vienna.

The contract was won jointly with Wagner-Biro, another

Austrian company which will be responsible for supplying boilers. Elin will provide and install the electrical equipment.

The company said yesterday that the contract was backed by a standard credit line from the Oesterreichische Kontrollbank, and work on the project is expected to start later next year.

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## TECHNOLOGY

EDITED BY ALAN CANE

# Monitor to beat test ban cheating

US NUCLEAR weapon scientists have one technology they are eager to share with the Soviets. It is a system for detecting and locating underground nuclear explosions, which they claim can distinguish infallibly between the smallest nuclear explosion and the rumblings of a restless earth.

They dearly wish the USSR to agree to have their new unmanned instrument on Soviet soil. Both nations then would receive identical signals of any nuclear explosion anywhere in the world, and would thus have the basis for joint action. The world could be girdled with 30 such stations—15 in the Soviet Union and 15 elsewhere, the Americans believe.

If a complete test ban on nuclear explosions were to be agreed between the US and the Soviet Union, the system could give the necessary assurance that neither was cheating. But first the Soviets would have to gain the kind of confidence the US is beginning to show in Norell, its prototype seismic detector in Norway.

Norell—Norwegian regional seismic array—is a pattern of seismic detectors laid over a circular area of pine forest 3km across, near Hamar, 100 km north of Oslo. The array of 25 seismometers both detect and pinpoint the explosion.

Norell began life with a telephone call from Washington to the Sandia National Laboratories in Albuquerque, New Mexico, in 1977, asking how quickly the scientists could invent a foolproof system accept-

David Fishlock reports on a way that both the US and Soviet Union could ensure that neither side broke a complete halt to nuclear weapons testing

able to both sides in support of a treaty banning all nuclear testing.

Sandia distinguished five features believed crucial to acceptance of such a robot by the Soviets, says Dr Roger Hagen-gruber, director of systems studies.

They are:

- it must have no classified features: no "black box" inaccessible to the Soviets;
- it must run unattended, with absolute reliability, for at least a year between examinations;
- it must be self-powered so that no-one could plead a power cut to explain gaps in the data;
- the data must be freely available to both sides with no opportunity for either to tamper; and
- data must be made available in real time using an unclassified satellite for transmission.

Early in 1978 the Sandia scientists gave a Soviet team a presentation of their ideas in Geneva. One year later they had a demonstration running. But the political incentive to agree on a test ban slackened in the 1980s.

Dr Hagen-gruber said: "The data provided by monitoring is viewed through a political lens." The best the scientists can do is to try to provide the least am-

biguous data.

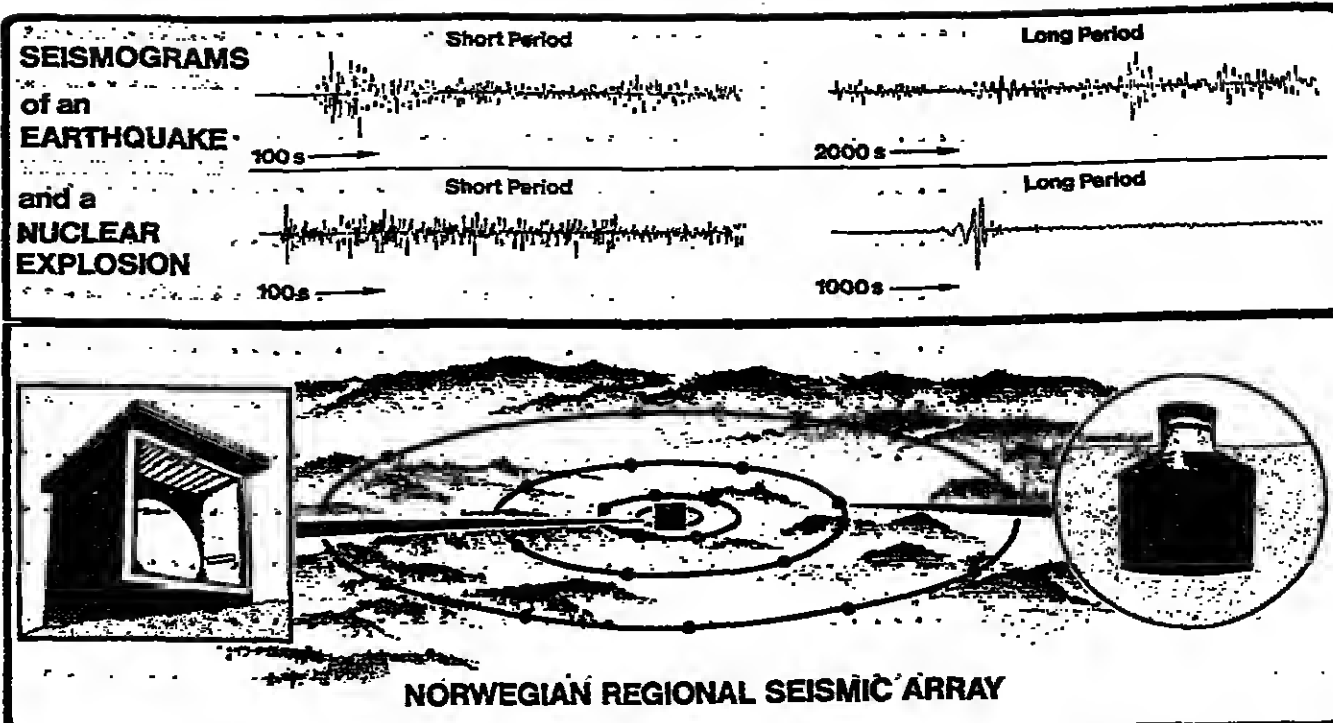
For more than two decades the US has relied on its Vela satellites to spot atmospheric nuclear explosions. It is the world's only satellite system devoted solely to this purpose, in support of the Partial Test Ban Treaty of 1963.

Vela has blinked only once, the US believes. In the late 1970s it registered a signal that looked suspiciously like a nuclear explosion in the southern hemisphere. But some details were missing from the signal, and no confirmatory evidence of any kind—such as fallout—was found. It demonstrated the difficulty of seeking absolute perfection.

Dr Hagen-gruber is confident, however, that scientists are nearer perfection with Norell, which is seeking a signal "that's extraordinarily difficult to buck." It is a seismic signal characteristic of an explosion, which will travel all the way round the earth. In hard rock, a small nuclear explosion equivalent to 1,000 tonnes of TNT will cause perturbations equivalent to about 4 on the Richter scale.

One of the more useful ways of discriminating between earthquakes and underground explosions, says Sandia, is the ratio of the intensities of shock waves through the ground as a frequency of one hertz to the surface waves at 0.05 hz. The ratio is much higher in the case of explosions.

The difference lies in the fact that explosions produce compression which travels radially from the source. Earthquakes, on the other hand, result from the slippage of rock, when the grinding motion transmits a broad spectrum of frequencies. The differences are readily apparent in the accompanying



Seismograms can clearly differentiate between an explosion and the rumblings of the restless earth. Norell is the prototype of a robot seismographic array proposed by the US to monitor nuclear explosions

seismograms of an earthquake and a nuclear test of about equal magnitude. But the differences lessen with distance.

In addition, the designer can add his knowledge that earthquakes have been observed at depths as great as about 100 km, whereas nuclear explosions are restricted by the difficulties of drilling to a few kilometres.

The clever feature of Norell is the design of its array, and the way it can sift a weak signal submerged in background noise from the earth. Its designers

claim that it can spot signals even when the testry have deliberately tried to muffle the shockwaves—decoupling, as it is called—by carrying out their explosions in caverns rather than holes, or in highly compressible ground.

But Norell has a range of only about 2,000 km so it will need to be located on Russian as well as Western soil.

The Norell array designed by the Lawrence Livermore National Laboratory, of 24 seismometers, aimed to record

vertical ground motions having a frequency between one and 10 hz. At the hub, both the physical and operational centre, are two more seismometers tuned to other frequencies, set in 60-metre holes. The cost is quite modest—Sandia thinks arrays could be installed for about \$1m each.

Integral to the design is the concept of "authentication," whereby a large body of data can readily be sampled to give assurance that there has been no tampering—or, if there has, that it is quickly disclosed. As a global system, it is also designed to use the Global Positioning System (Navstar) of 18 new satellites, scheduled for completion in 1988.

The US scientists are keenly alive to the problems of persuading the Soviets to accept such monitors. Only last summer did they permit their first inspections of nuclear power plant by inspectors from the International Atomic Energy Agency. Some kinds of technology make the Russians feel very uncomfortable, Dr Hagen-gruber says. They have rejected inspection equipment which uses microprocessors.

But in Norell, Sandia believes it has a technology which should be culturally acceptable, and which has run reliably for more than a year. It is one which can be operated in a hostile climate.

Moreover, it believes the same basic system could be adapted for the verification of a chemical arms control treaty, simply by changing the basic sensor.

More on 6522 688121.

PETER MARSH

US AEROSPACE and weapons companies are involved in an ambitious effort to build cheap warheads that could be used to destroy intercontinental missiles as they zoom close to the upper stages of the atmosphere on their way to targets.

The effort comes under the jurisdiction of the US Defence Department's Strategic Defence Initiative Organisation and concerns two separate programmes, the High Endoatmospheric Defence System (HEDS) and the Exoatmospheric Reentry Interceptor System (ERIS).

The projects aim to follow on from work in the SDI organisation's Homing Overlay Experiment. In this, in June 1984 military engineers fired a projectile from the ground which succeeded in hitting in space a missile launched from the U.S. Air Force's Vandenberg range in California.

The experiment involved four test shots and cost \$400m. The aim now, says Dr Gerold Yonks, the SDI organisation's chief scientist, is to refine the technologies of interception to bring down costs.

While HEDS is aimed at producing weapons that can destroy warheads just inside the atmosphere, Pentagon planners want ERIS to result in a device that operates in space, before the target warhead re-enters the atmosphere in the final stages of its journey.

Using novel propulsion systems, miniaturised elec-

tronics—for the sensing devices that would be built into the missiles—and new materials, SDI planners want to build ERIS projectiles that are only 6 ft high and cost \$1m each. The entire booster would weigh a few pounds, compared with several hundreds of pounds for the rockets used in the Homing Overlay Experiment.

The new systems could be fired either from the ground or from aircraft. They could use a guidance system consisting of a umbra-type net which swings out of the warhead to snare the target. An alternative would be to do the same job with a burst of small pellets fired from the projectile at the appropriate moment in the manner of a shot gun.

PETER MARSH

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## Computer system aids search for underground obstacles

CONSTRUCTION companies and electricity boards may be helped to pinpoint the positions of pipes and other underground metal objects with a computer system developed by Apotec, of Altrincham, Cheshire.

The system analyses data from such instruments as magnetometers, used to record the positions of such buried items. Magnetometers radiate electro-

magnetic signals that induce a magnetic effect in the buried object—assuming it is ferromagnetic. The rays of magnetism are then recorded by the instrument.

Readings from the device can indicate the size and depth of the object. Other hardware that can be used for similar jobs includes X-ray and sonar scanning equipment.

With the aid of the computer, a mass of data from testaments can be converted to a map of the location which provides information about all objects above or below a certain depth or of a particular size. The maps can be either stored in a computer memory or printed out on paper.

Discovering the whereabouts of buried objects is a continual headache for companies in the building community. Before they dig foundations or lay new pipes, for instance, such enterprises would like to know about existing objects underground.

Finding out this subterranean information is also a problem for people in other commercial areas, for instance, waste dump operators who would like more knowledge about any items of value that may be buried on their sites.

Others involved in underground surveys include professional and amateur treasure hunters, and military engineers who have to find land mines.

PETER MARSH

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## High quality dot matrix printer

MANNESMANN TALLY, Europe's largest maker of computer printers, has launched a versatile machine intended for use with professional personal printers.

The MT290 is a dot matrix character printer which can be switched between fast, draft mode printing, at 200 characters a second and letter quality mode at 50 cps.

Different fonts can be obtained by plugging in cartridges.

In letter quality mode, the results are hard to tell from ordinary typescript. They are achieved by running a nine wire print head twice over the line, giving an 18-dot character matrix.

Mr David Archard, managing director of Mannesmann Tally, says that in spite of increasing inroads by the laser and ink-jet printers, impact types will remain in strong demand for some years simply because they can make several copies in one pass using carbon.

Although laser printers might take 17 per cent of the printer market next year, Mr Archard says it will be five years at least before impact and non-impact sales are equal. His company expects to make announcements about non-impact types before next spring.

In the UK, more on 0734 788711.

GEORGEY CHARLISH

## US seeks cheap way to destroy missiles

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Financial Times Tuesday November 19 1985

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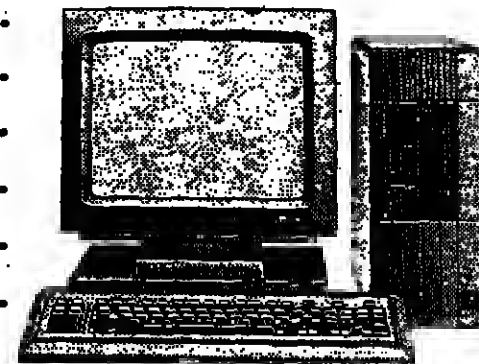
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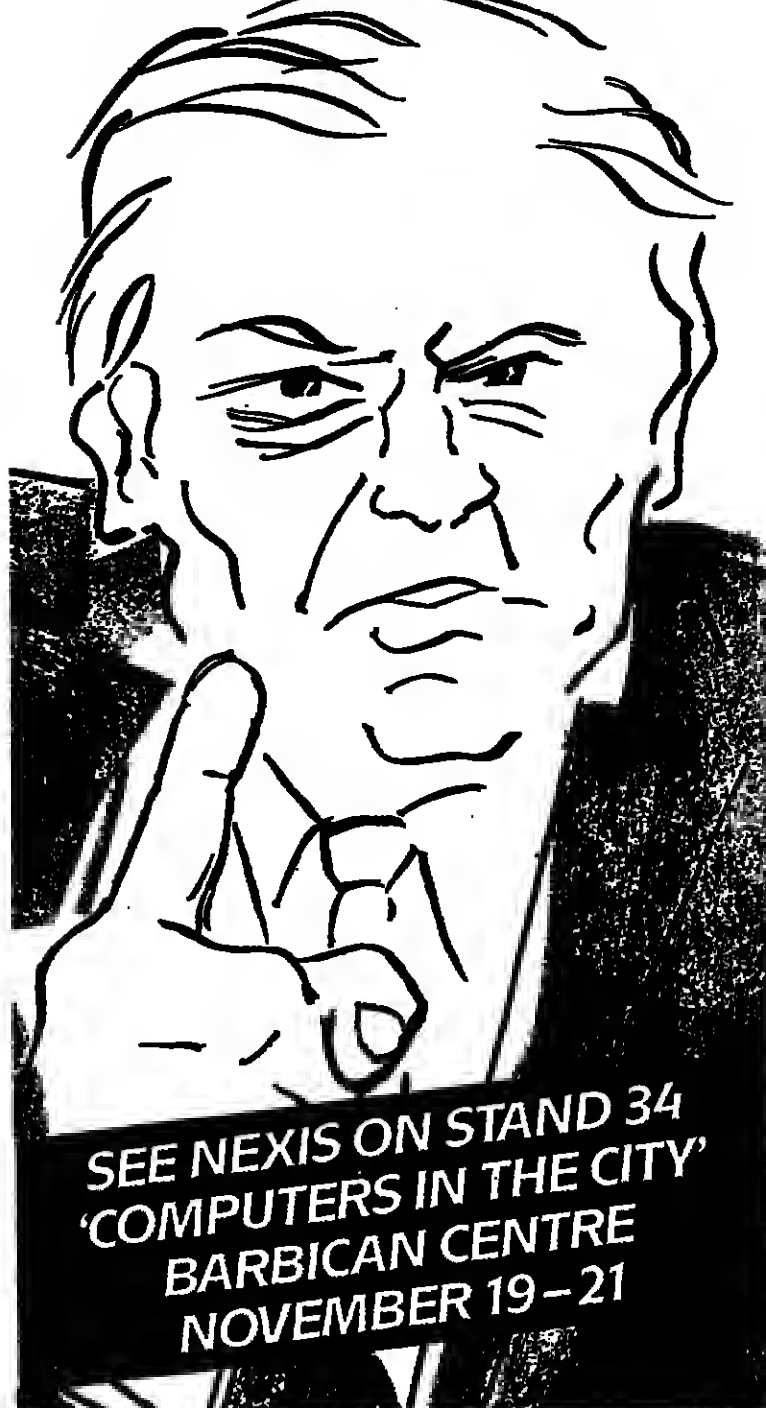
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## US-SOVIET SPACE PROJECTS

# Obstacles and opportunities

By Peter Marsh



The US space shuttle lifts off from Cape Canaveral

SPACE officials in the US and Soviet Union are forming tentative links that could lead to a joint venture in civilian space activities—perhaps a hook-up between manned spacecraft in orbit—by the end of the 1980s.

Observers are speculating that this week's meeting in Geneva between President Ronald Reagan and Mr Mikhail Gorbachev, the Soviet leader, could touch on civilian space projects. Much depends, however, on the cordiality or otherwise of discussions in other areas, particularly the US's controversial Strategic Defence Initiative ("Star Wars").

A delegation of Congressmen and officials from the National Aeronautics and Space Administration (Nasa) visited Moscow last month for broad discussions with representatives of the Soviet Academy of Sciences on space collaboration.

Mr Jesse Moore, Nasa's associate administrator for space flight and member of the delegation, said last week that the space agency was keen to set up formal working groups with the Soviet Union to study options on joint space projects.

"The prospects (for collaboration) are not glowingly bright but there is room for further dialogue," said Mr Moore, who is in charge of Nasa's fleet of four space shuttles.

At the top of the list for possible projects is a joint exercise involving a space shuttle and the Soviet Salyut-7 space station, which has been in orbit since April 1982 and which currently has three cosmonauts on board.

Under one scheme, already presented by President Reagan, the US and Soviet craft could dock in space to simulate the rescue of one crew by the other—something that could happen should either the Salyut or a shuttle encounter an emergency.

Also the subject of debate is a visionary plan for a joint manned visit to Mars around the year 2000. Although details of how such a trip could take place are sketchy, the voyage would probably gain wide public support because of ambitiousness of the goal.

Talk of collaborative civilian space projects is, however, inevitably bound up with Star Wars. While the US presents

this as a research programme aimed simply at defining whether a space-based defence against nuclear missiles is feasible, the Soviet Union sees the project as escalating military activities in space.

According to the Soviet Union, Star Wars is the biggest impediment to any joint ventures between the superpowers in civilian space activities. This view is rejected by the US administration, which points to Moscow's own big and generally unpublicised programme of anti-missile research.

Discussion over space projects cannot avoid the fact that three-quarters of the 3,000 or so satellites (the great majority of them belonging to the US or the Soviet Union) launched since the first Sputnik in 1957 have had military applications.

In the US, the \$8bn annual budget of Nasa, a civilian body, is dwarfed by the \$12bn that the Pentagon spends each year on space activities. Analysts estimate that 70 per cent of the Soviet Union's estimated \$23bn annual spending on space goes on military projects.

While the two countries are normally depicted as rivals in space, a few significant exercises in collaboration have occurred. Between 1972 and

1982, they had a formal agreement covering space activities. It ended in the cool political climate between the two countries following the invasion of Afghanistan in 1979.

The most visible result of the agreement was the docking in space in 1975 between a US Apollo vehicle and a Soyuz craft. Amid a welter of publicity, three Americans and two Soviet citizens shook hands and exchanged wisecracks.

The event did little, however, to influence future space projects. The rendezvous required special docking systems developed at great cost to make the two craft compatible. Afterwards, Soviet and US engineers went back to their established approaches to docking hardware, ensuring that a future link-up in orbit could not take place without much forethought.

More recently, the two countries have joined forces with Canada and France in an international search-and-rescue system. In this, Soviet and US satellites automatically relay signals from radio beacons in stricken aeroplanes and ships, so bringing rescuers quickly to the scene of an accident.

The US and the Soviet Union collaborate to some degree in unmanned missions. Next

March, Soviet spacecraft encountering Halley's Comet will relay information to western ground-control stations to help US, European and Japanese vehicles navigate closer to the heavenly body. The two superpowers have also tentatively discussed a joint lunar mission for the late 1980s or early 1990s.

Individual Soviet and American space scientists continue in the absence of governmental agreements, informally to exchange information, for instance on the results of biological studies in space and the effects of long-term weightlessness on spacefarers.

In this area, the US probably has more to learn from the Soviet Union than the other way around. While the longest of the US's 22 shuttle flights to date has lasted 10 days, the Soviet Union has kept cosmonauts in orbit aboard its series of space stations for up to seven months at a time.

The US is keen to learn more about long-term effects of space flight for its plan to build in the 1990s a permanent orbiting station in which people will live for periods up to three months.

Next: how the Soviet and US manned space programmes could complement each other.

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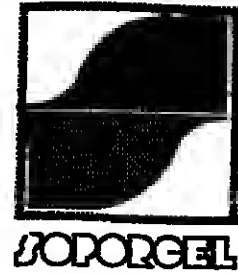
Financial Times Tuesday November 19 1985

## PAPER AND PULP



# Why Wiggins Teape chose to invest in Portugal

BY TONY JACKSON



IN AUGUST of this year, the paper maker Wiggins Teape signed a major deal which seems to run clear counter to its most established traditions. The group, one of the biggest and most successful paper makers in Europe, has built its reputation on being specialised. It has devoted endless skill and ingenuity to seeking out niches in the paper market, out of the way of the massive fire-power of the integrated pulp and paper mills of Sweden and Finland. But in August it took a plunge into the world of bulk paper making.

The deal involves taking a 43 per cent stake in a new \$300m pulp mill in Portugal, near the coastal town of Figueira da Foz. Wiggins Teape is committed to sharing in a further investment of up to \$200m, which will add a paper machine to the mill and make it the world's biggest producer of paper from eucalyptus wood.

There is more to Figueira da Foz than meets the eye. As a seaside resort of modest pretensions, it does brisk business with the holiday-makers from the landlocked area of Madrid. But it is also becoming a centre for the industry now second only to tourism as Portugal's chief source of foreign earnings — production of eucalyptus-based pulp and paper.

The mill in which Wiggins Teape has invested, a large enough project by any standards, was built by a recently-formed Portuguese company called Soporcel. The project has an improbably tangled history, and it is clear that the arrival of Wiggins Teape — backed by the financial muscle of its parent, R.A.T. Industries — has been hailed with relief by its Portuguese partners.

The project first took shape in 1973 with the formation of an entrepreneurial company called Celangol. The intention was to build the mill in the Portuguese colony of Angola, using eucalyptus which the Angolan Government was to plant. A large part of the machinery for the mill was duly bought, and sent to several European ports for shipment to Africa.

After the 1974 Portuguese revolution, Angola was no longer a colony. Struck with a great deal of machinery lying in expensive storage around

Europe, the promoters started a four-year odyssey peddling the project around the world. Negotiations got to an advanced stage with both Brazil and Venezuela before falling through. Finally, the promoters fell back on Portugal as a home for the mill.

Why was Portugal not considered in the first place? Luis Deslandes, the present chairman of Soporcel — not then involved — explains: "It was a question of the supposed wood supply in Portugal at the time. It was believed that there was a big enough pulp industry in the country already."

Before the building of the Soporcel mill, Portugal's eucalyptus pulp industry consisted of just six mills, none of them directly integrated into paper-making. Four of those belonged to the nationalised group Portugal, pulled together from Portuguese private interests after the revolution in 1975. The other two were left private,

on the River Tagus. That was thrown out by local opposition — from farmers especially — on environmental grounds. The eventual choice of Figueira had much to do with the fact that locals there were actively keen on the project; they already had 20 years' experience of the advantages and drawbacks of eucalyptus pulp manufacture from the Celbi mill nearby, built and owned by Billerud.

The mill's backers still had financial details to sort out. Money had initially come from the now nationalised Portuguese banks, but there was a clear feeling that since a large nationalised pulp concern — Soporcel — already existed, Portugal should eventually return to the private sector with help from a partner.

"Wiggins Teape was our target from the beginning," Mr Deslandes says. "Portugal had a good, well-established pulp industry, but our lack of experi-

ence in paper-making and marketing called for co-operation with an international paper group."

Even after making contact with Wiggins Teape, getting official approval was a slow process. There was initial controversy over the idea of involving a foreign multinational in such a major Portuguese project. And for both the banks and the authorities, the sheer scale of the project led to hesitation. "Portugal," says Luis Deslandes wryly, "is not very good at decision making at the governmental level."

Earlier this year, however, the mill finally started up, and in its first year should produce some 270,000 tonnes of pulp. By 1988 full capacity of 300,000 tonnes should have been reached, and Soporcel should then generate enough cash flow at least partly to finance the next stage of investment, the paper mill.

Soporcel's confidence in its ability to do this is based, in part, on the remarkable nature of the eucalyptus tree itself. The cost of wood is critical to the pulp industry, and that, in turn,

is largely dependent on how long trees take to grow. In the northern forests of Scandinavia, a pine tree takes around 90 years to grow large enough for pulping.

In Portugal's Mediterranean climate, the same trees grow at least three times as fast. The eucalyptus, though, grows three times faster again — just 10 years from planting to felling. In the forest products industry worldwide — in the US as well as in Europe — there is a general move southwards to take advantage of sub-tropical growth rates. In the case of Billerud's mill at Figueira, it was remarkably (and typically) foresighted for a Swedish company to make the same move 20 years ago.

The real impulse for eucalyptus, though, came in the mid-1970s, when R.A.T.'s Brazilian associate Souza Cruz, traditionally a cigarette manufacturer, diversified into eucalyptus pulp. At around the same time, techniques of pulp making were making rapid headway. Unlike pine, eucalyptus is a short fibre wood. The old sulphide chemical process of pulp manufacture had the effect of breaking the fibres down further, so that eucalyptus pulp could normally be used only as a filler in long fibre-based papers, rather than as a base material in its own right.

Then came the sulphate process, which left the fibres intact. "It was the Brazilians," says Wiggins Teape chairman John Worledge, "who proved that good paper could be made from

100 per cent eucalyptus pulp." Not merely good, either; eucalyptus pulp is now increasingly used on grounds not only of cheapness, but on premium quality.

For Wiggins Teape, this is a critical aspect of its apparent change of policy. The group is already Europe's biggest buyer of eucalyptus pulp, mostly from Brazil. As to the integrated production which will follow on the building of the \$200m paper machine, Wiggins Teape sees printing and writing papers as a growth area, and integrated production as the key to taking on the Scandinavians at their own game.

"It is not really a dramatic switch of policy," Mr Worledge says. "It's simply a matter of widening our options for the 1990s. You could argue that Wiggins Teape was in bulk printings and writings with its mill at Fort William in Scotland — even though we had to close it down five years ago when we realised it wasn't on a big enough scale."

Scale is certainly not a problem at Figueira. Of the seven eucalyptus mills which Portugal possesses, the new Soporcel one is the biggest by a clear margin. It is also, says Mr Deslandes, with every appearance of conviction, the best. "We're modern, we're efficient, we have only 450 people on the payroll. With the possible exception of the Souza Cruz mill in Brazil, I'm pretty sure we're the lowest cost mill in the world."

The commercial planting of the eucalyptus forests is unpopular with environmentalists. It cannot be denied that the chemical process of pulp manufacture gives off a horrible smell

being foreign-owned — the Celbi mill at Figueira, owned by the Swedish group Billerud, and a small old-established mill at Calma, which with its woodlands forms the sole asset of the London-quoted company Eucalyptus Pulp Mills.

There is, even today, a degree of hostility in Portugal towards the expansion of the eucalyptus pulp industry. The commercial planting of the eucalyptus forests — and Soporcel aims to have 40,000 hectares planted in the next 10 years — is unpopular with environmentalists. It cannot be denied that the chemical process of pulp manufacture gives off a uniquely horrible smell, even if a modern mill like Figueira does much to contain it.

"It took until 1978-79," says Luis Deslandes, "for the Portuguese Government to give authorisation to build the mill. That had a lot to do with the political situation after the revolution — each time negotiations were making progress, the government would be replaced." Then there was the problem of the site. The original choice was inland, 50 km from Lisbon

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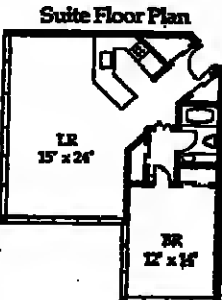
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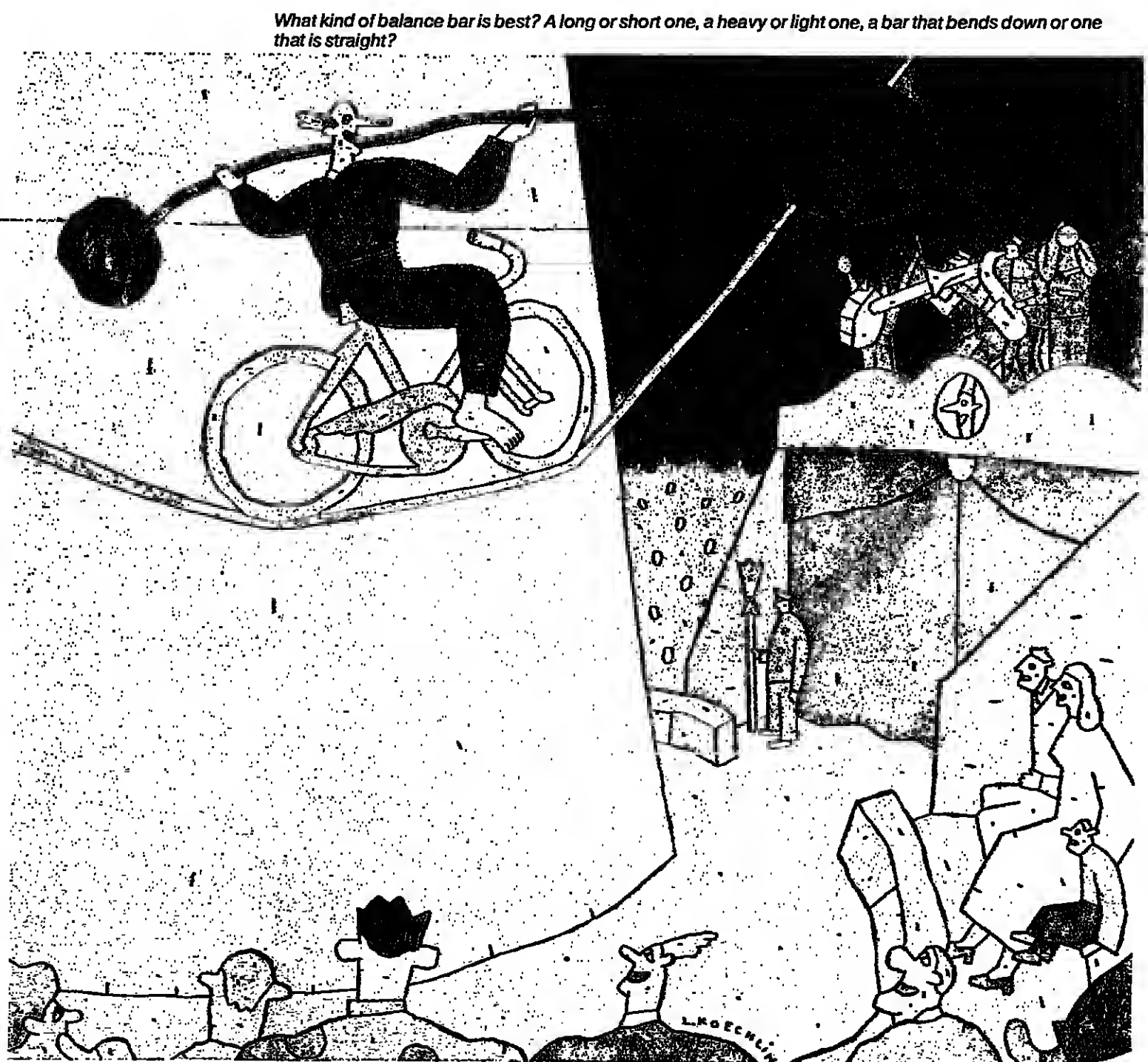
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## UK NEWS

### Mercury link might test BT's supply policies

BY GUY DE JONQUIERES

BRITISH TELECOM (BT) has given warning that the terms in which it will be required to connect its network with that of Mercury will make it harder for it to support UK telecommunications equipment manufacturers.

Sir George Jefferson, BT's chairman, said that Mercury had a competitive advantage over BT because it was not expected to buy predominantly British-made equipment.

Mercury could also use the latest technology in its network, which is due to start operating next year. But BT had a much older telephone system that had suffered from years of inadequate investment, largely because of earlier government curbs on spending.

Sir George said BT did not plan to challenge in court last month's ruling by the Office of Telecommunications (OfTel), which fixed the terms on which the BT and Mercury networks would be interconnected.

But he said OfTel was "wise" to have allowed for a review of the ruling after two years. "If because of competition and new technology we are seriously undercut in the market, the results could be very serious," he said.

Sir George said the ruling would also make it more difficult for BT to



Sir George Jefferson:  
'Mercury has advantage'

implement gradually its policy of "rebalancing" tariffs. This involves raising prices for unprofitable residential services faster than for profitable business traffic.

He did not expect BT to start feeling the impact of competition from Mercury for at least a year. But he said: "I would be less than honest if

I said that they [OfTel] had not made our task more difficult than envisaged by the Government and ourselves at the outset."

He said BT would not make further changes in its tariffs in the coming year, beyond the 3.7 per cent average increase that took effect at the start of this month. Nor did it plan any significant shift in procurement policy at the expense of British suppliers.

However, he said, BT's obligation to support the UK industry had limited its ability to adjust to competition from Mercury. Without that responsibility, BT could have shared out contracts for the modernisation of its network between suppliers around the world.

He said some parts of the UK supplier industry were trying very hard. In spite of recent delivery delays, System X, the British digital public exchange, was equal in quality to any of its international rivals.

"It would be wrong to say that Britain does not have adequate capability. The problem is that our industry must compete on a world market scale," he said. "If we at BT are going to produce a world-class service, we need world-class suppliers."

Tough test to come, Page 18

### Merrill Lynch takes City office centre as European base

BY MICHAEL CASSELL, PROPERTY CORRESPONDENT

MERRILL LYNCH, the US investment bank, is to occupy Ropemaker Place, a 250,000 sq ft City of London office centre, in what is thought to be the City's most expensive letting deal.

The centre, being built on the site of the former BP headquarters, will become the bank's European headquarters.

Under the terms of a structured lease, which allows for a phased increase in rent, Merrill Lynch is thought to have agreed an initial rental of almost £30 a sq ft.

Ropemaker Place is being developed by London & Metropolitan Estates, which is jointly owned by London & Edinburgh Trust and Balfour Beatty. The £75m development cost is being funded by Norwich Union and represents the insurance group's largest investment in a single building. Under the funding agreement the two development partners will retain a minority stake in the completed investment.

Merrill Lynch has been in London for 25 years. It will be gradually moving into Ropemaker Place from January 1987. By early 1988, the group will have centralised there all its existing London operations, now spread between four locations. Large trading floors will be provided for its securities dealing operations.

Work on the office project began at the beginning of this year when Britannic House North, the former BP building, was purchased for £18m from the Granada Group. A letting deal so early in the project underlines the severe shortage of large office schemes in the Square Mile, at a time when financial services groups are seeking buildings capable of accommodating their expanding operations.

It was recently disclosed that Salomon Brothers, the Wall Street investment bank, was moving from the City to Victoria, in London's West End, so that it could centralise its UK business.

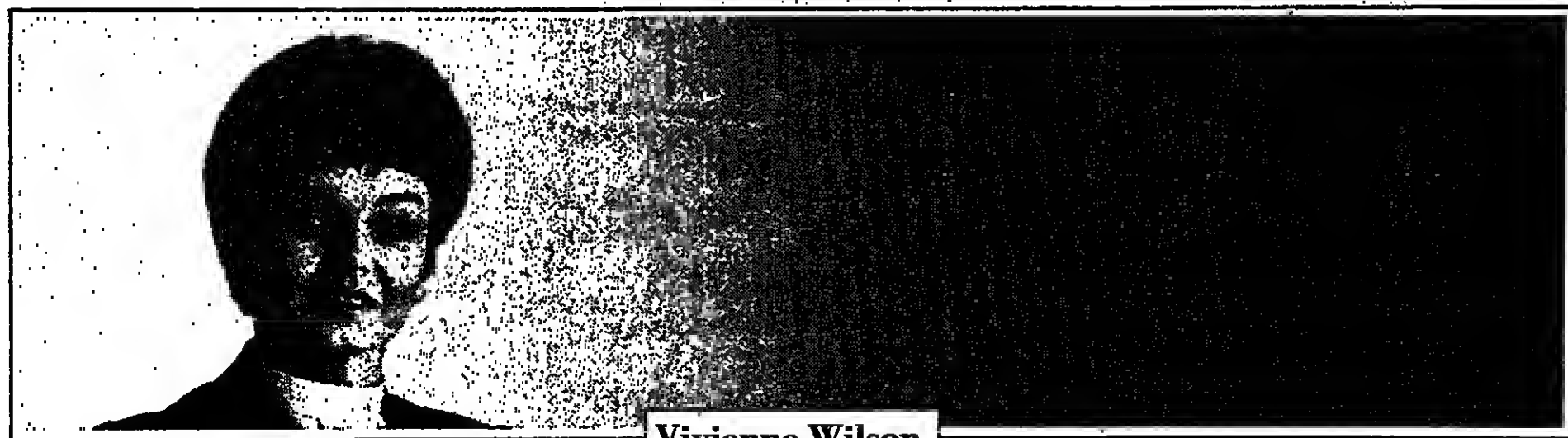
London & Edinburgh was last year involved in what was then believed to be the City of London's largest office letting. The newly developed Billingsgate centre, built jointly with S. & W. Beristford, the commodity traders, was let to Samuel Montagu, the merchant bank, at an annual rent of £5m.

L&E has just sold its one-third stake in the 185,000 sq ft project to its development partners. The original Billingsgate Market buildings were recently sold to Citicorp for £10m. The US bank will house its unified securities operations there.

UPDATE ON IBM, NOVEMBER 1985.

No. 9

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### Britoil makes finds in North Sea block

BY DOMINIC LAWSON

BRITOIIL has made two oil discoveries in North Sea block 3/4A, 100 miles east off Shetland, north of Scotland. The UK's largest independent oil company is now preparing to spend \$80m to increase its stake in the block from 16.5 per cent to 50 per cent.

Earlier discoveries on the block by Texaco, which holds the rest of the licence, indicated a field of about 50m barrels of oil. But oil analysts believe that Britoil's successes could triple the estimate of reserves for the area, which lies close to the Brent and Ninian oilfields.

Britoil's discoveries are in separate geological structures from the original Texaco find. The well 3/4A-9 flowed at a cumulative rate of over 14,000 barrels a day of good quality oil and 16.5m cu ft a day of gas.

In June, Britoil paid \$30m to Texaco in return for the 16.5 per cent stake. Under the terms of the deal Britoil would itself drill all the wells in the appraisal programme, after which Britoil would have the option to buy up to 50 per cent of the block, at a price *pro rata* with the initial purchase.

Britoil is now completing a second well, which is also believed to

have been very encouraging. The company is to drill a third well shortly.

The appraisal of the discoveries is scheduled for next year, with a probable early submission to the Department of Energy for field development approval.

Only a disappointing appraisal programme is likely to stop Britoil taking its stake up to 50 per cent. Under the terms of the deal, one of the most complicated in the history of North Sea oil, Britoil would then develop the field itself and hand back the operation of the field to Texaco once it was in production.

The plan fits in with Britoil's strategy of increasing its experience of developing North Sea oilfields. So far it has developed only one, the Clyde field. Three weeks ago Britoil bid over \$100m to take over Phillips Petroleum's 35 per cent stake in the North Sea 7 block. But Britoil was trumped by EIL of France, which bid \$180m.

On the stock market yesterday Britoil's success caused its share price to rise 7p to 227p.

British Petroleum has upgraded its estimate of reserves in the Forties field by 54m barrels to 2,075m barrels. By the end of September, 1,535m barrels had already been produced.

### Borrowing at £5.3bn for first seven months

BY ALEXANDER NICOLL

THE GOVERNMENT repaid a net £300m in October, bringing the public sector borrowing requirement (PSBR) to £5.3bn in the first seven months of the 1985-86 fiscal year, according to official figures released yesterday.

The October figure caused some surprise in the City of London where economists had been estimating a borrowing need of up to £1bn or even higher during the month. Government bond prices rose about 1/4 point on the news.

The financing positions of the central government, local authorities and public corporations were all better than expected.

The view in Whitehall was that the borrowing total so far this year was in line with last week's new projection by Mr Nigel Lawson, the Chancellor of the Exchequer, that the PSBR would reach £5bn this fiscal year compared with £7.1bn forecast in the March budget.

Many economists believe that spending overshoots and shortfalls in oil revenues are likely to push the PSBR above the Chancellor's latest estimate. Yesterday's figures, however, suggested that forecasts

of a PSBR as high as £10bn may be too pessimistic.

Mr Peter Fellner, of stockbroker James Capel, said the October data "will not do anything to alter our case about the longer-term fiscal arithmetic. They may alter some perceptions about this year, though not dramatically." Capel is forecasting a £8.75bn outturn.

Government revenue was boosted in the seven-month period by Ireland Revenue receipts, running £3bn above a year ago. Corporation tax receipts were particularly strong in October, helping revenues overall to rise to £10.2bn, a buoyant 10 1/2 per cent higher than a year earlier.

On the spending side, the key "supply services" measure, at £2bn in October and £3.9bn in the seven-month period, were 9 per cent higher than a year earlier, though the underlying growth was said to be 6 1/2 per cent.

Monthly figures are notoriously erratic, and economists say that it is difficult to draw conclusions about the annual outturn from them even in the last stages of the fiscal year.

### Liverpool workers vote

BY NICK BUNKER

A KEY SECTION of Liverpool's municipal workforce voted yesterday to abandon support for the Labour-controlled city council's tactics of direct confrontation with the Government.

The majority of the 2,500 council-employed members of the Transport and General Workers' Union (TGWU) decided at a meeting to back national officials' calls for an increase in rates (property taxes) to end the city's financial crisis.

Their vote endorsed the position of Mr Jack Dromey, the TGWU national secretary for public service workers. He asked the meeting to approve measures to balance Liverpool's budget included in an inde-

pendent report by experts led by Mr Maurice Stonehouse, chief officer of the Greater London Council.

It came as a blow to Liverpool's left-wing councillors, who have previously claimed the full support of manual workers for their refusal to raise rates or rents to remove the £75m deficit in the city's 1985-86 budget.

Mr Tony Byrne, the council's Labour finance chairman, said last night that national officials were "treacherous" in calling for implementation of the Stonehouse proposals, which include an additional rate rise of up to 15 per cent this year.



## UK NEWS

## Thatcher attacks critics of Anglo-Irish accord

BY MARGARET VAN HATTEM

MRS MARGARET THATCHER, the Prime Minister, yesterday rounded on critics of the new Anglo-Irish agreement. She told them it represented "the best guarantee they had ever had" and accused them of scaremongering.

The agreement, signed last Friday, was warmly welcomed at Westminster by MPs on both sides of the House of Commons, where the response to Mrs Thatcher's statement showed the growing isolation of the Ulster Unionists.

Only a handful of right-wing Tory backbenchers rose to support the 14 Unionist MPs present. The more experienced Unionist MPs - such as Mr James Moynihan, the Rev Ian Paisley and Mr Enoch Powell - remained calm in their denunciations but others became increasingly emotional. Some MPs on both sides began to jeer and laugh openly at their anger, while others later expressed their distaste for what they described as "histrionics".

Later, at a meeting of the Tory backbench committee on Northern Ireland, Sir Geoffrey Howe, Foreign Secretary, and Mr Tom King, Northern Ireland Secretary, were closely questioned on the constitutional implications of the agreement, which gives the Irish Government a formal role in Northern Ireland policy-making.



Mrs Thatcher: 'Ulster's best guarantee yet'

The meeting attracted only 30 MPs - by definition, most of them concerned and critical - but was reported to be calm, thoughtful and generally optimistic. Government business managers believe that any Tory rebellion against the agreement will be confined to 10 to 15 MPs.

In the Commons, Mrs Thatcher was clearly irritated as, one by one, the Unionist MPs rose to denounce the deal as a betrayal of their rights as British citizens.

Her patience gave way when, amid a roar of disapproval Mr Peter Robinson accused her of an "act of

political prostitution" echoing his comments in the Northern Ireland Assembly on Saturday, when he referred to Mrs Thatcher as "an unprincipled and habitual liar" and "an unprincipled hussy".

Such comments were scandalous, Mrs Thatcher snapped back. She said Mr Robinson would be better occupied trying to allay his people's fears than trying to stir them up.

The Unionist Party leaders, Mr Moynihan and Mr Paisley, have announced that all 15 Unionist MPs will resign their seats before Christmas if Parliament endorses the agreement.

There are signs of unease within their parties over the wisdom of this tactic. Even Mr Powell yesterday indicated that, while he would loyally support his party leader in this tactic, it was not one of his choosing. Mr Powell is among those MPs pressing for a High Court hearing on the issue and appears to have more faith in this tactic.

Mr Moynihan yesterday urged Mrs Thatcher to delay next week's debate on the agreement, pending the outcome of the judicial review which his party was seeking and on which they expected an initial reply within 48 hours.

The Government has been advised that such an appeal is likely to be turned down by the courts.

## S&amp;N Breweries in 'final' £125m bid for Matthew Brown

BY LIONEL BARBER

SCOTTISH & Newcastle Breweries yesterday declared a final £125m offer for Matthew Brown, the Blackburn-based brewer in north-west England, raising its all-share or cash terms by around £33m.

Matthew Brown, which has fought an eight-month battle for independence, said last night that the revised offer was still "unacceptable".

Last week, the Monopolies and Mergers Commission approved the S&N bid, saying it was not expected to operate against the public interest.

Morgan Grenfell, advising S&N, described the offer as a "knockout bid" and said that the brewer's brokers, Hoare Govett, yesterday picked up between 2 and 3 per cent of Matthew Brown's shares, raising S&N's stake to over 17 per cent.

S&N also attempted to strengthen its case by announcing yesterday a 15 per cent increase in pre-tax profits to £43m and a 15 per cent increase in the interim dividend to 2.19p, forecasting a final dividend of not less than 4.81p.

The terms of the final offer are 18 S&N shares for every five shares in Matthew Brown. On last night's closing price of 171p for S&N, down 4p on the day, the offer values Matthew Brown at 547p. There is a full

cash alternative of 540p a share. Brown closed at 540p up 2p.

Mr Aliak Ranking, S&N's chief executive, said that after extensive public debate the time had come to make a final proposal to Matthew Brown shareholders. "The terms are extremely generous and final," he said.

Before the reference to the commission, S&N's offer was worth 453p per Matthew Brown share. This compared with a value of £28m when the first bid was launched in March, though S&N subsequently added 40p in cash to its offer of 14 of its own shares for every five Matthew Brown shares.

Schroders, advising Matthew Brown, said that shareholders accepting the cash alternative could suffer a heavy tax bill. The Monopolies Commission report, which suggested that regional brewers should be protected from further takeover bids from big national brewers, gave Matthew Brown a security value; Schroders added.

Although S&N now holds about 17 per cent of Matthew Brown, two key shareholders, Britannic Assurance, with 9.5 per cent, and Whitbread Investment, with 9 per cent, have declared a preference for staying with the company.

Lex, Page 20

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## Employers want end to unearned rises

BY JOHN LLOYD, INDUSTRIAL EDITOR

THE CONFEDERATION of British Industry (CBI), the UK employers' organisation, yesterday called for a revolution in thinking within industry to stop "the unearned annual rise in pay".

The CBI meeting in Harrogate yesterday for its annual conference voted overwhelmingly, however, against a resolution calling for more employment laws.

Dr James McFarlane, director general of the Engineering Employers' Federation, said that "changes in employment law will be from now on a diminishing return from increased investment in legislation".

Sir Terence Beckett, director general of the CBI, said that to stop unearned pay increases "would improve competitiveness. If we are sincere in our compassion for the unemployed, the unearned annual increases in pay must be stopped. It's a kindness to the unemployed and those who might join their ranks in the future."

"Next year, with inflation forecast to come down to 3.5 per cent, was a 'unique window of opportunity to get pay settlements down... if we blow the opportunity, it may not come again for a long time," he said.

Sir Terence's appeal, was received with some scepticism by several of the delegates who have already made settlements in the 5 to 7 per cent range. However, both Sir Terence and Sir James Clemenston, the CBI president, are publicly optimistic that the pay message, already circulated among the members is getting through.

Many of the debates yesterday were interwoven with the theme of responsibility by business both for its own success and for the creation of jobs for the unemployed. A survey taken for the CBI by Gallup shows that both employers and employees are willing to make sacrifices on behalf of the unemployed.

The debate on unemployment was a triumph for the group within the CBI which has been pushing over the past two years for what amounts to a business social policy. This is now supported by CBI membership surveys which show increasing concern over the waste of human resources and the possibility of social unrest.

Mr Norman Record, corporate planning director of Clarke Shoes, called on the delegates to form regional committees to begin a dialogue with young blacks in areas of high unemployment. "Unless we deal with the problem of young black unemployment it will be ill for our society and ill for our businesses," he suggested.

Mr Ken Appleton, personnel director for Pilkington, asked each of the 250,000 member companies to take on "just four" of the unemployed. "We must have social stability and we must also have a social conscience."

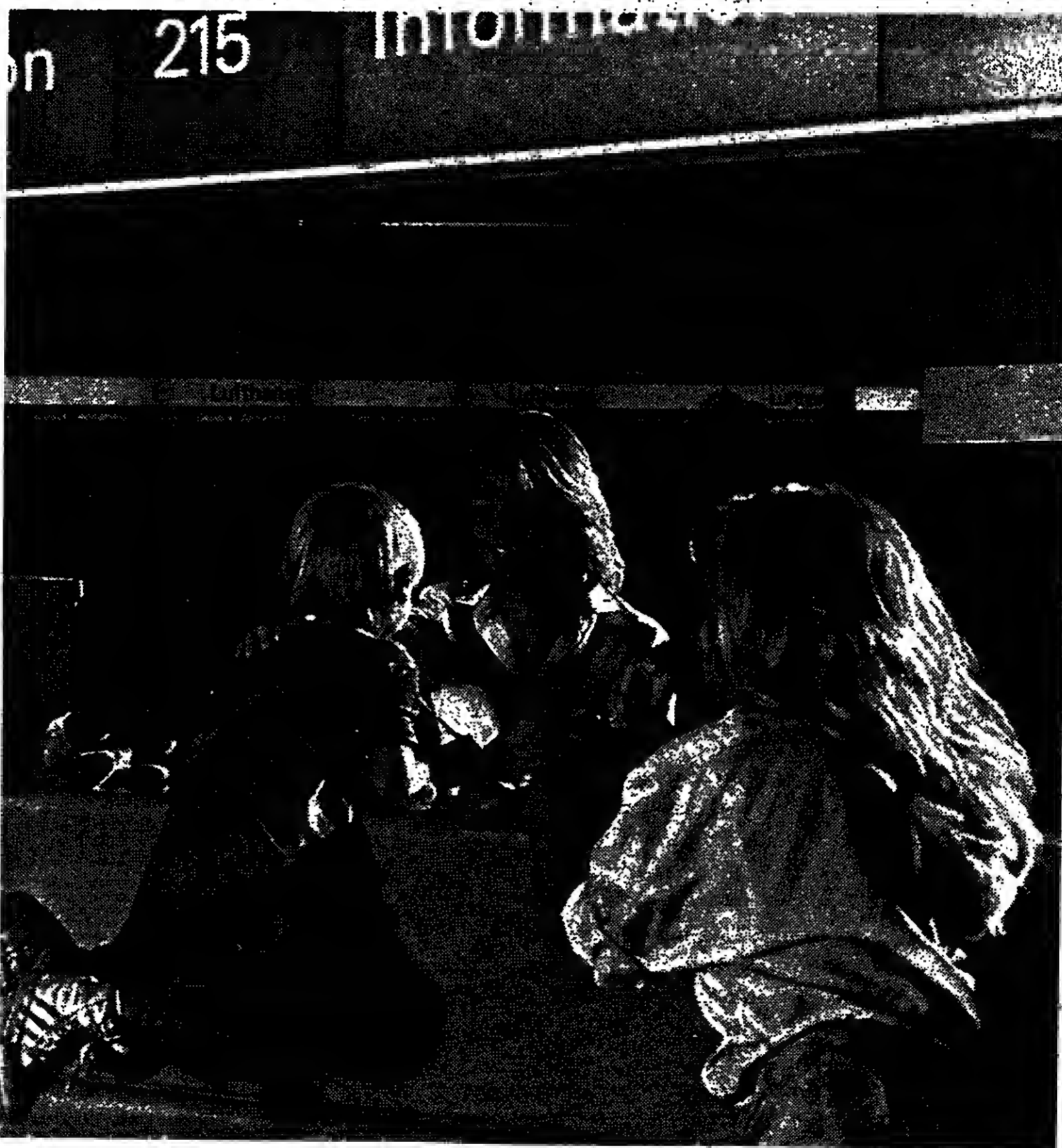
In tune with this spirit, the delegates voted for more employee involvement - though with the injunction to government not to force it upon them by law.

The call from Mr David Pennock, of Astell Hearnson, for more employment legislation was greeted with a wall of opposition from senior CBI figures. Mr Pennock said that employers must concede that government had improved industrial relations through legislation, against the judgment of most CBI members - but Dr McFarlane, Mr Roger Farrance, member for industrial relations on the Electricity Council, and Mr John Whitworth, director general of the General Council of British Shipping, united to call for consolidation of the existing law and the rejection of the route of "Government doing management's job for it."

Conference reports, Page 14;  
Editorial comment, Page 18

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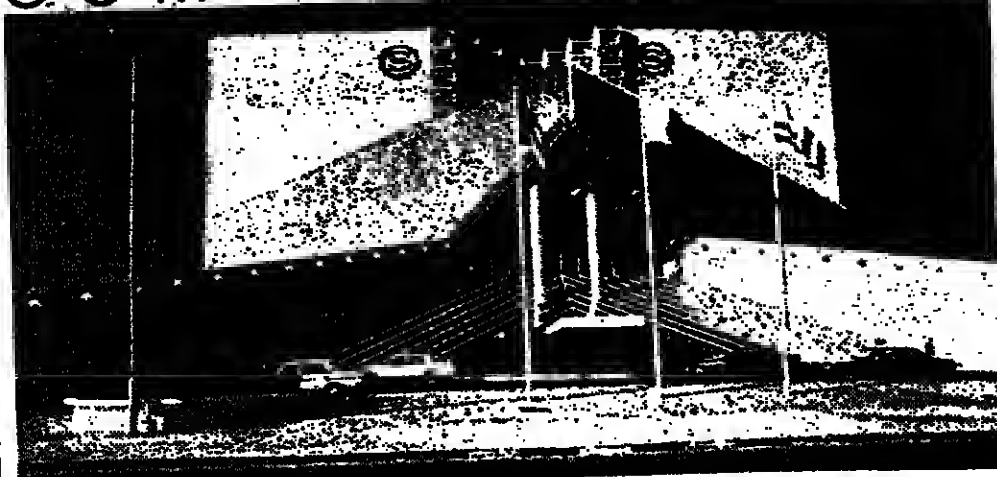
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## Third-quarter rise of 0.5% in UK output

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

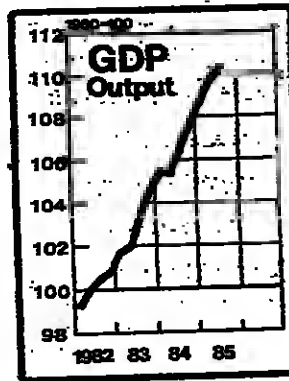
BRITAIN'S OUTPUT rose by around 0.5 per cent in the three months to September, putting it about 3.5 per cent above the level of a year earlier, according to official figures released yesterday.

The Central Statistical Office (CSO) said that its preliminary estimate on the output measure of gross domestic product (GDP) in the third quarter showed that a 0.5 per cent fall in industrial production was offset by 1 per cent rise in the output of service industries.

The figures were seen in Whitehall as in line with the Government's forecast that the economy will grow by around 3.5 per cent this year, and by a further 3 per cent in 1986.

Lower industrial production during the three-month period was largely a reflection of a summer lull in North Sea oil output and of a relatively flat performance by manufacturing industry. This was only partly offset by a further rebound in coal production following the end of the miners' strike.

There is some expectation among Government statisticians that the manufacturing figures will be revised upwards as new data become available over coming months. The



Treasury, however, expects manufacturing output to grow less fast than the economy as a whole this year and next, with its forecast suggesting a 2.5 per cent rise in both years.

Yesterday's statistics show that if the impact of the coal strike is excluded, output rose by about 0.25 per cent in the three months to September, to stand 2.25 per cent above a year earlier. This is below the 3 per cent rate that the Treasury anticipates for 1985 after adjustment for the pit dispute.

## UK NEWS

## Buy-outs estimated at £590m this year

By William Dawkins

BRITISH managers have spent three times as much money on buying out their own companies so far this year than in the whole of 1984, according to a survey by Acquisitions Monthly magazine.

The survey lists 101 management buy-outs worth a total of £590m so far, as against 115 worth £190m in 1984.

More than 80 per cent of the 1985 figure is accounted for by 10 deals.

Those estimates only include the buy-outs that have been publicly reported. The actual figure is certain to be higher, says the survey. Its estimates do not include large companies disposing of small peripheral subsidiaries, where details do not have to be disclosed, nor buy-outs of small independent companies.

Industry sources suggest that the total number of management buy-outs in 1984 could be anything between 170 and 260, says the survey.

Accountants Peat Marwick last week said that an estimated £715m worth of management buy-outs had been completed in the UK so far this year and that the 1985 total could reach £1bn.

## Employers press for government role in helping industry

BY LISA WOOD

THE Confederation of British Industry (CBI), the employer's organisation, has urged government to join with industry in strengthening the worldwide competitiveness of British industry.

There was some confusion among delegates at the CBI annual conference about the exact role that government should play. Sir James Clegg, the CBI president, concluded that there needed to be a clearer definition of the conference resolution.

The conference, however, voted by a majority of about six to one on a definition of government's role as presented by Lord Penstock (Morgan Grenfell). He said government should create the right climate with, for example, lower interest rates, more capital investment and deregulation. "I thought we have always said we would create the competition and government would create the climate," said Lord Penstock.

Mr Alan O'Hara (Colt International) was the most vigorous critic of the motion. He said that it sounded like a call for a national plan as put forward in the mid-1960s by the Labour Government. "We can look after our own competitiveness without asking government to do it for us," he said.

Mr John Ralsman (British Telecom) said, "The problems of British industry lie in our own hands." But he did not discount the role of government or the EEC dimension. He called for the dismantling of physical and technical barriers to the movement of goods, services and people in the EEC.

He made what he called his annual plea for Britain to join fully the

European Monetary System. He said that, contrary to what the Prime Minister believed, Britain would be better equipped to stand the buffeting of sterling within the EMS.

Mr Colin Perry, chairman of the CBI West Midlands region and chairman and managing director of the Birmingham Mint, spoke of the trade deficit in manufacturing.

## CBI annual conference

goods and compared the situation to 20 years ago, when the UK had a substantial trade surplus in manufactured goods.

A strategy was needed to reverse the long-established trend, he said. Industry had to take the lead and correct its failure to come up with new products. "Self-help is all that is needed to these matters," he said. "But of course we also need the right operating environment, too. It is essential to get the commitment of government, and also of the financial community, to a strategy for manufacturing industry."

The Government, he said, had been slow to recognise the need for additional policies after it tackled inflation and union legislation. "In particular, the Chancellor's dismissal of last month's House of Lords report on overseas trade seems ill-considered and hasty, as well as inaccurate, in describing it simply as a plea for subsidies, when it was nothing of the kind."

## Campaign will urge improved marketing

BY ALAN PIKE

A NATIONAL campaign to encourage chief executives to improve the marketing performance of their companies was launched at the CBI conference yesterday.

During next year - Industry Year - the CBI will try to persuade chief executives of all its member organisations to attend seminars on marketing issues.

Mr Ralph Halpern, chairman of the Design Council and of the CBI's marketing and consumer affairs committee, said the initiative was designed to show companies how staff, customers and society could become involved in the successful marketing of products.

"Today the CBI begins a drive to change not only industry's attitudes but British society's attitudes," he said.

Messages from Mrs Margaret Thatcher, the Prime Minister and Mr Neil Kinnock, leader of the Labour opposition, to support the initiative were given to delegates before they adopted a resolution setting up the campaign.

Sir William Barlow of BICC supported the move as chairman of the Design Council. The most important reason why British people bought so many imported products,

he said, was their standard of design. Yet many of these foreign products were the work of British designers.

By contrast, two thirds of the products submitted to the Design Council for approval did not meet the standard required while some were appalling, he said.

In another resolution, the conference gave its enthusiastic support for the concept of Industry Year, with delegates stressing the importance of one of its main objectives - improving links between industry and education.

Mr David Nixon, chairman of Scottish and Newcastle Breweries and deputy president of the CBI, said the aim of Industry Year must be to achieve a permanent change in the understanding and values which Britain placed on industry.

For too long, the education system had positively steered the most able young people away from industry, he said. Jobs in the wealth-creating sector ranked behind those involving caring for people. Industry was at fault itself for failing to get the message across that Britain's bills could be paid only by British business.

## Call to retrain managers

A MOTION calling upon companies to take steps to ensure managers improved their professionalism was overwhelmingly supported by the CBI conference.

Sir Edwin Nixon (IBM UK), who introduced the motion, gave a six-point plan to improve Britain's industrial performance.

The plan included greater understanding of international competi-

tiveness; accurate marketing; the creation of an environment in which the entrepreneur was respected; the harnessing of the opportunities provided by new technology and good management.

"We need to retrain all our technical professional managers throughout their careers," said Sir Edwin. There were good managers in Britain, he conceded, but "we just need more of them."

## Bank claims damages in Romanian trade deal

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

"SUBSTANTIAL" DAMAGES are being claimed against the Romanian Ministry of Foreign Trade by Bank of Credit and Commerce International, the High Court in London was told yesterday.

The claim arises from an agreement in November, 1980, relating to two companies importing Romanian Aro and Dacia motor vehicles into the UK.

Mr Peter Cresswell, QC, for the bank, told Mr Justice Goffman that the odd feature of the case was that the bank had already obtained judgment against two of the Romanian ministry's co-signatories of the agreement, Auto Dacia - Audac - and Auto Import and Export - Aexim - both Romanian state trading organisations, in default of either of them putting in a defence to the bank's claim.

He said the Romanian ministry, "who are plainly very closely associated with, and probably control, Audac and Aexim," resisted the claim.

In addition to seeking an order that the ministry was liable to pay damages, the bank asked the court to assess the damages due from Audac and Aexim, Mr Cresswell said.

He said that Aro Imports, an Isle of Man company, and its wholly owned English subsidiary, Tudor Vehicle Importers UK, imported

Romanian cars into the UK. Both had been granted substantial overdraft and credit facilities by Bank of Credit and Commerce International.

In 1979 Aro and Tudor had got into serious financial difficulties. In November, 1980, the bank agreed to maintain the facilities, for a limited period, within which the Romanian parties to the agreement were to take shares in Aro and Tudor and guarantee those companies' liabilities to the extent of their gross assets at January 15 1981.

The bank had not been prepared to continue the facilities to Aro and Tudor unless the Romanians stepped in; the Romanians, Aro and Tudor had been concerned that the facilities should continue, because otherwise Tudor and Aro would go into liquidation and Romania would lose its car distribution network in the UK, said Mr Cresswell.

The bank alleged that the ministry had broken the agreement by not taking up shares in the two companies and not giving the guarantee.

The ministry contended that the agreement only gave it an option to take shares and imposed no obligation to do so, and that the obligation to give the guarantee was contingent upon exercising that option. The hearing continues.

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## UK NEWS

## Space work 'lays base for new industries'

BY PETER MARSH

ENGINEERS WORKING on the space bases of the 1990s could play a similar role to the alchemists of medieval times in laying the basis for industries, Mr John Egan, director of business planning at Coopers & Lybrand, the accountants, said yesterday.

Speaking to a Financial Times conference in London on space commercialisation, Mr Egan said that a number of big pharmaceutical and materials companies were already indicating interest in using the facilities of the \$12bn manned space station, due to be built by a US-led international consortium by the mid-1990s.

Mr Egan, an adviser to the US National Aeronautics and Space Administration (Nasa), on commercial ventures in the heavens, said some of the more mystical alchemists of old produced very little. Others, however, in seeking new ways to produce gold and other metals, invented processes that formed the base for modern science.

According to Mr Egan, the low gravity in an orbiting space station could be useful in turning out new kinds of low-defect crystals, for instance semiconductor materials as gallium arsenide, and novel proteins and other organic materials for the drug industry.

Although transport and processing costs in orbiting factories would be high, the greater yield and the possibility of making substances

difficult to obtain on Earth could provide substantial profits.

General Motors, John Deere, Bethlehem Steel, Alcoa, 3M and Ford were all interested in materials experiments aboard space shuttle flights, possibly as a prelude to missions on the space stations.

## Space projects chief named

Mr Roy Gibson, a former director general of the European Space Agency, is to become Britain's new head of space projects. The Government will officially confirm him in his position as director general of the British National Space Centre tomorrow.

Mr Geoffrey Pattle, Minister for Information Technology, will also announce other details for the centre, such as how it will link with existing Government departments and where it will be based. The centre will take over responsibility from government organisations such as the Trade and Industry Department for space activities, on which Britain spends roughly £20m a year.

Meanwhile, according to Mr Egan, broad details on how other countries could participate in the station by next March. Western Europe, through the 11-nation European Space Agency, and Japan, planned to provide laboratories for the base, while Canada wanted to build a robot arm that could help maintain the station.

Dr Joseph Allen, executive vice president of Space Industries, a company in Houston that plans to build an industrial space facility as a prelude to the space station, said a module for the cargo bay of a space shuttle should be in orbit by around 1990.

Dr Geoffrey Pattle, chairman of

The station is due to be built with a set of elements provided by space shuttle flights in the early 1990s. Mr Culbertson said Nasa had been impressed by the response of Western Europe, Japan and Canada to the US invitation to join the project. He said Nasa hoped to agree

General Technology Systems, a UK space consultancy, said governments and other bodies involved in space activities would have to pay more attention to making industry aware of the benefits of extra-terrestrial projects. Remote-sensing satellites that

## FINANCIAL TIMES CONFERENCE

Space: the commercial benefits

take pictures of the Earth for instance, could help a range of organisations involved in areas as diverse as transport, water management, agriculture, and communications.

Dr George Van Rooy, director of administration for ESA, said the Paris-based agency had developed a broad programme of activities in areas such as telecommunications, remote sensing and the Ariane satellite launcher, and it planned to collaborate with the US in its space station project.

Earlier in opening the conference, Lord Lucas of Chilworth, Parliamentary Under Secretary at the

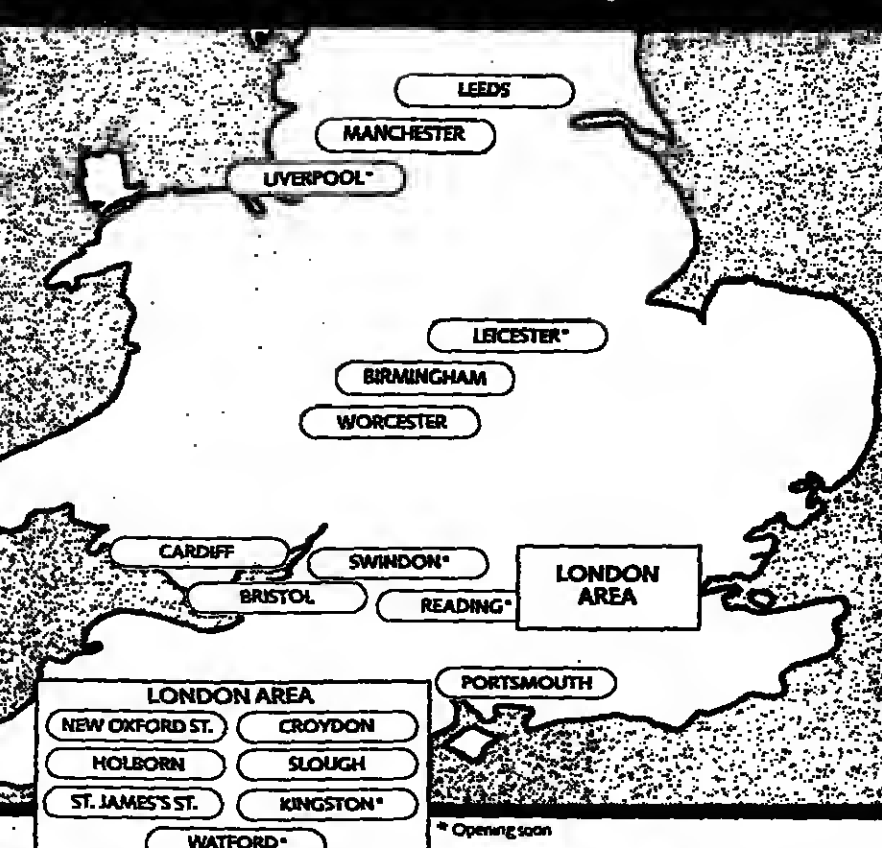
Trade and Industry Department, said activities in space would have profound social and political effects.

He said the British Government put great emphasis on space activities, as was demonstrated in its decision to set up a UK national space centre. Lord Lucas added that ideas about processing materials in zero gravity were still at the "covered wagon" stage, but companies were gradually learning what was possible.

Mr S.R. Dannehy, senior consultant at General Technology Systems, said commercial organisations were setting up activities to provide finance and administrative support for space ventures. Examples included the offering of insurance services for satellite owners by organisations such as Lloyd's of London and the setting up in West Germany of Intospace, a consortium of companies attempting to bring about space ventures using orbiting platforms.

Mr Richard Collins, director general of Intelsat, said that satellite communication was one of the fastest growing industries in history. Since 1965 Intelsat had increased the amount of telecommunications traffic carried by a satellite by more than 500-fold. The organisation had more than 1700 communications pathways and linked more than 170 countries. The cost of Intelsat services had dropped by a factor of 20 times since 1965, Mr Collins added.

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## Trusts call for relaxation on advertising

By George Graham

INVESTMENT TRUSTS have called for a relaxation of the rules on how they may advertise their shares to the public.

Mr Raymond Cazalek, chairman of the Association of Investment Trust Companies, said that the restrictions imposed by the Prevention of Fraud (Investments) Act put investment trusts at a disadvantage to unit trusts, building societies and life assurance companies.

He believed that these restrictions should be relaxed in the bill, due to be published in December, which will replace much of this Act.

Investment trusts, in common with other companies, are for the most part restricted to advertising their results. Some trusts, however, have advertised their results throughout the year, while others have done so only at the time that the results are published.

The White Paper (policy document) on financial services, which outlines the provisions of the December bill, exempts investment trust companies from some of the bill's regulatory provisions. Trust managers with other fund management activities, however, will be included in the regulatory framework.

## Animal feed market expected to shrink

BY ANDREW GOWERS

THE ANIMAL feed industry, which was severely affected last year by the introduction of milk production quotas, can expect a long period of restructuring.

That is the message of a previously unpublished paper by Mr Allan Price, chairman of BOCM Silcock, the Unilever subsidiary and

UK market leader.

Overcapacity in the feed industry is estimated at up to 30 per cent, or 3m tonnes, as a result of the sharp drop in sales that followed the EEC imposed cut in milk output. Mr Price believes the market will continue to shrink.

"In the longer term, we must plan

on the basis of a much lower market volume," he says. "We cannot ignore the threat of further quotas or some other form of restriction on milk output. There is still 15 per cent overcapacity of milk products. Unfortunately, one has got to become a smaller company in a smaller industry."

Like the other three big companies in the feed business - Dalgely, Bibby and Paine - BOCM Silcock took swift steps to cut its costs in the wake of quotas. It shut two older, inefficient mills and is replacing them with smaller, more mechanised operations, as well as decentralising its management.

## Short Brothers makes first profit for 11 years

BY OUR BELFAST CORRESPONDENT

SHORT BROTHERS, the state-owned Belfast aircraft and missiles manufacturer, has returned to profit for the first time since 1974.

The company, which is a candidate for privatisation, yesterday reported a profit of £252,000 in the year to March 31 compared with a loss of £24m in 1984. Turnover was up 23 per cent at £20m with growth reported in all the company's divisions - aircraft, missiles and aircraft components.

Sir Philip Foreman, chairman and chief executive, said the company had made encouraging progress despite intense competition, especially in the commuter aircraft market. Profit before interest payments was almost doubled at £10.7m.

He said: "That the company turned in an overall profit with a financial structure having such artificially high gearing was no mean

achievement, and it is to be hoped that the Government will undertake a financial reconstruction in the near future."

Aerospace was a high-risk business that should be viewed against long-term objectives. Although the profit for any one year should not be given undue emphasis, company performance in recent years had improved significantly, he said.

Commuter aircraft accounted for more than half the turnover. Sir Philip said 1984-85 saw the introduction of three new aircraft that were in direct competition with Shorts' own aircraft in the 30-40 seat sector, but the company still won 37 orders for the Shorts 360. Missile sales amounted to £60.4m and components for important manufacturers such as Boeing, Rolls-Royce and Fokker brought in £22.2m.

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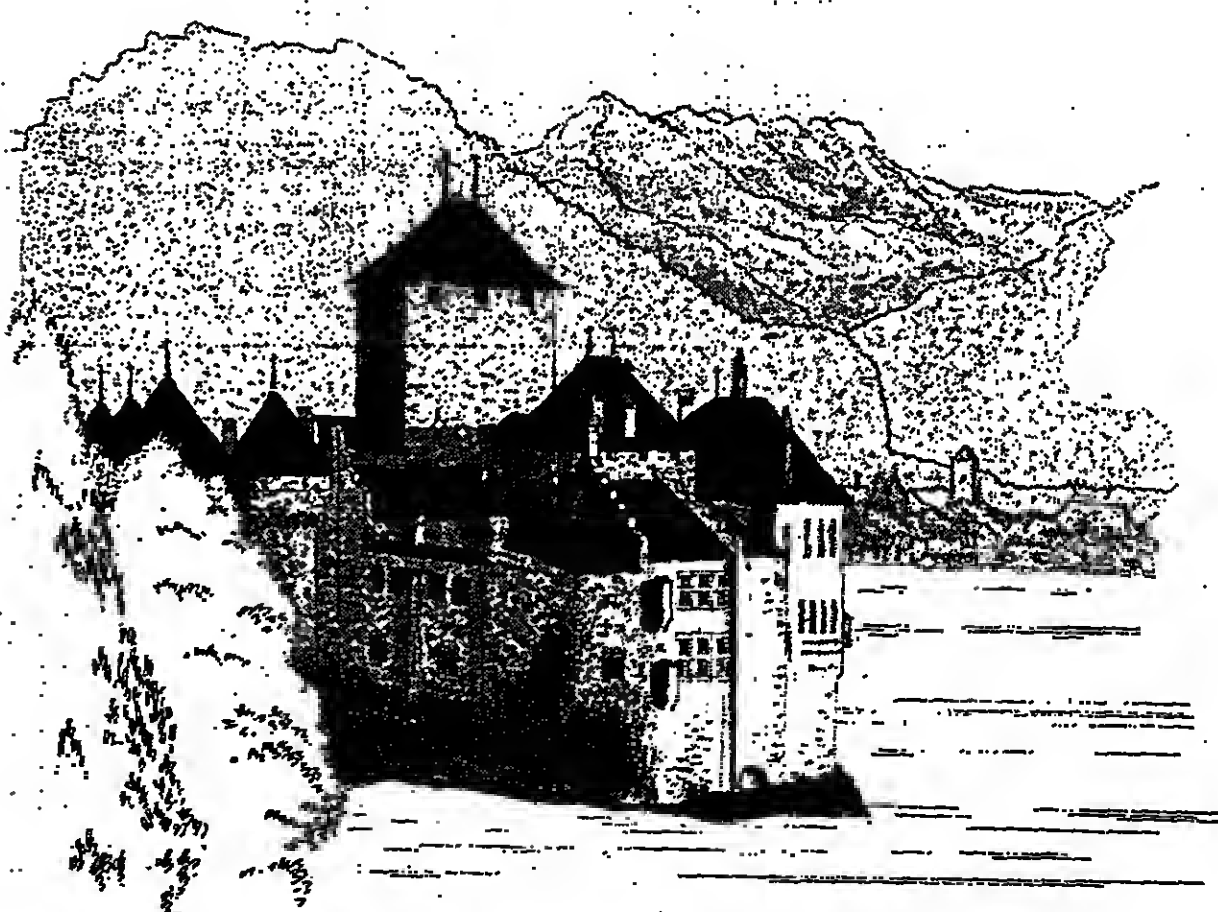
For the information of the bondholders, the average of the daily closing prices of the Shares on the Tokyo Stock Exchange for the 30 consecutive stock exchange trading days, the first of which occurred 45 stock exchange trading days prior to 15th November, 1985 was at least 130 per cent of the Conversion Price in effect on such day. The reported closing price of the Common Stock of the Company on the Tokyo Stock Exchange on 14th November, 1985 was ¥ 389 per share.

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## THE ARTS

Homage to Barcelona/Hayward Gallery

## Where the creative spirit lurked

"Barcelona, fin-de-siècle city: Barcelona, capital of Catalan separatism; Barcelona, refuge for artists-exiles during the First World War; Barcelona 1929, a city of the future"—with these words Dr Marilyn McCully opens her introduction to the excellent and copious critical symposium that also serves as catalogue to *Homage to Barcelona*, the exhibition which she has selected on behalf of the Arts Council and which occupies the lower galleries of the Hayward Gallery until February 23.

Any one of her headings could supply a fascinating study by itself, but here, in what in spirit remains a general exercise, her choice of material has fallen in the main upon the visual arts, with the broader documentation and reference left largely to the catalogue and to programmes of most helpful audio-visual presentations. The period covered is the half-century or so between the Universal Exhibition held in the city in 1888 and the outbreak of the Civil War. Both exhibition and catalogue are sponsored by SEAT, the Spanish car firm which is itself based in Catalonia.

The painting, the graphic art and the small amount of sculpture is all set out in a clear and orthodox hang and chronological sequence, group by group and phase by phase. The quantity of work shown is rather small, as is the show overall, given its putative scope and the prominence of its slot in the calendar. But any initial disappointment, at least with the fine art we are offered, is immediately offset by a certain relief that this, after all, is to be no blockbuster. It is soon dispelled altogether by the quality and inherent interest of the work.



"Retrat de Maria Llimona de Carls" by Joachim Sunyer

The choice is admirable and to the point, and while it would always be its own reward to see early and unfamiliar work of such artists as Picasso, Miró and Salvador Dalí, it is better still, to see it against the work of their local peers in the broader, formative context of time and place. The peculiar achievement of this exhibition, moreover, is not so much the

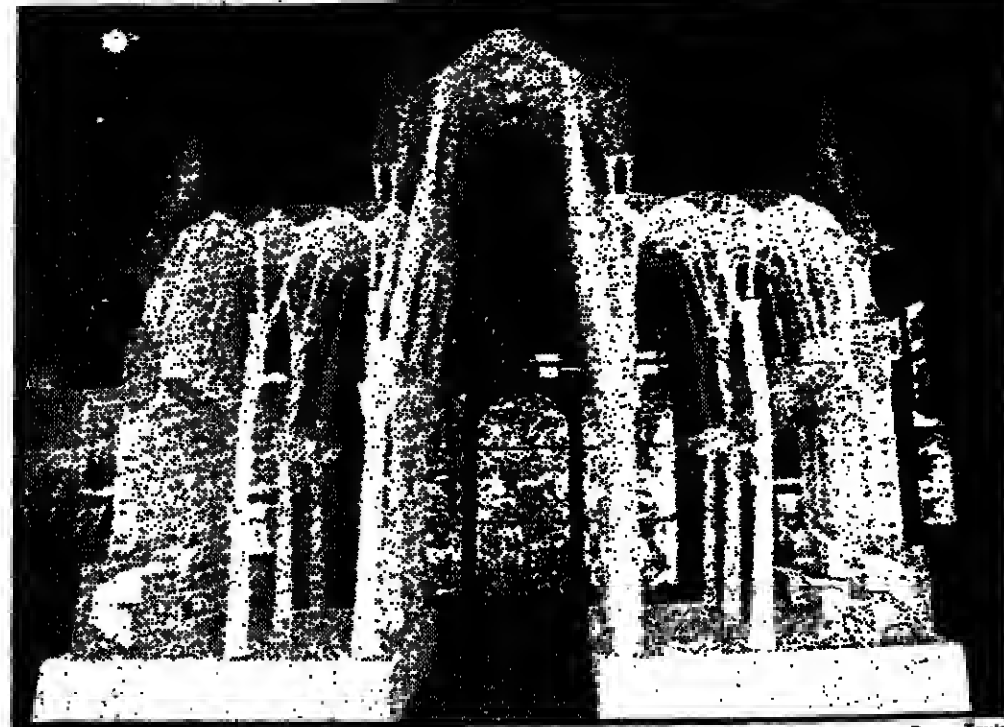
celebration of such things and reputations, splendid though they are, but rather the just elevation of these lesser names above mere local or provincial notoriety. Any city that had produced a Picasso, let alone the others, would have a large claim on the history of the art of the time, but to go on to say that Barcelona was the crucible of

modernism would be to go too far. Quite as much, mutatis mutandis, could be said of Vienna or Milan, Berlin or St Petersburg, even London, around the turn of the century, for some active creative spirit was clearly at large in Europe. What may be said is that Barcelona was surely another satellite in the inevitable orbit of Paris; and if artists everywhere in the 20 years before the First World War should have found the pull of Paris irresistible, its force was never so strong as to inhibit return. The traffic was in both directions and the influence of Paris upon the modernist painters of Barcelona in the 1890s, direct as it was, was influenced, qualified and transformed by Spanish experience. Paris claimed Picasso, for example, soon enough and for good, but though the move was in many ways the making of him, it was Barcelona that had formed him, the romantic symbolism of his blue and rose periods already behind him. It is the myth of the 1930s and the absolute and exclusive importance of Paris that is exposed by shows like this.

Thus, while Picasso supplies the most striking and important works from the "Weeping Woman" of 1937, the wonderfully intense portrait of his friend Casagemas of 1900 and there are significant works of Miró and Dalí in the later avant-garde period. Dalí's early portrait of his father (perhaps the most remarkable) the true heroes of the exhibition are those older modernist painters and the *noucentista* artists who followed with the new century. The calm and domestic interiors of Santiago Rusiñol are worth special notice, and the crowd paintings of Ramon Casas even more so, realised as they are with quite extraordinary freedom

and vivacity, for all that one is aware of a most grisly public execution. My own favourite of his is a high, dark view over a somewhat sparsely attended dance at the *Moulin de la Colombe* in 1890. Of the slightly younger group of artists, the somewhat feeble hyper-realism of Felu Elias, painting in the late 1920s, is notable as much for its relation to realism elsewhere as for its own quality. The work of Joaquim Sunyer is perhaps more consciously attentive to other influence, in his case to Cézanne and to Picasso and Braque in their pre-cubist phase, but his touch is quite his own and his portrait of Maria Llimona de Carls, of 1917, the most delicately charming thing in the show. The upper galleries at the Hayward are given over (until February 23) to the work of the Uruguayan artist, Joaquín Torres-García, who spent much of his career in Barcelona, though by the period of this particular body of work (1924 to 1944) he had moved on to Paris and then back to Montevideo. These paintings and painted wooden reliefs are a quiet and idiosyncratic statement of constructivism, nominally quite abstract, that looks now to Mondrian, now to Brancusi, now to surrealism, and off to one side to pre-Columbian ceramics. Grid-*Pattern-Sign* is the title of it all and yet it retains a decided sense of the world and distinct reference to objects, places and living space: boxes piled high; crowded shelves; the clutter of compartments and pigeon-holes as the back of an ancient shop selling who-knows-what; brown, grey, ochre and terracotta street facades in the afternoon sun—*sol e sombra*.

William Packer



Model of Gaudí's cathedral in Barcelona

## Feeling without passion

The period covered by the Barcelona exhibition was one of the most lively and extraordinary in the development of a Catalan architectural style, a style which was sui generis but other architects, like Domènec and Jujol, or later ones like Sert and Clavé, were in fact adapting other European movements to the needs and aspirations of Catalonia.

When Evelyn Waugh first saw a house designed by Gaudí in Barcelona, the Casa Batlló in the 1930s, he was "dazzled and blinded" by his first impressions. This sense of visual excitement is not present

in the architectural exhibits at the Hayward.

Yon trip over a pathway of yellow tiles as you enter the exhibition. This is a pergola lined with photographs and exhibits that are intended to help locate the main artistic and political events in the history of the city. The designers of the show are Martorell, Bobigas and Mackay, a Barcelona firm with a British partner. They have only partially succeeded in bringing a feeling of the city to the formidable fortress of the Hayward.

The visitor that politics and architecture are never far apart. The 1936 Mauthausen plan for the city made with the assistance of Le Corbusier, would have turned Barcelona into a grid-plan city for the Catalan workers.

In Barcelona today much effort is being put into the rebuilding of Mies van der Rohe's Barcelona Pavilion, a curious recreation of recent history. One of Europe's most interesting architects, Ricardo Bofill, is working there and I wish some of his passion had been brought to the Hayward.

Colin Amery

## Adapt or Dye/Tricycle, Kilburn

Michael Coveney

Pieter-Dirk Uys takes his title from P. W. Botha's notorious 1981 speech and suggests that Queen Elizabeth II, muffled the same phrase to Prince Charles at about the same time. The South African regime looks a big target from the Kilburn High Road, but Mr Uys (pronounced "Ace"), a 40-year-old white, Jewish, Afrikaans male, scores freshly informative points as well as the obvious bullseye, in an hour-long one-man revue, playing nightly at 11 pm after *The Great White Hope*.

He reveals how his plays were banned not because of inflammatory politics but because of rude words and develops this personal history into a rapid censorship act which has phallic objects, places such as Bangkok and Scumborg, as well as tomorrow because of "the crack of dawn."

The material is not written, he says, merely edited from the Government Gazette; apartheid is described as "a pigment of the imagination" and a hilarious account of displacing kaffirs through the bus ticket system is topped with the statement that there are no blacks in South Africa, just millions of tourists. Mr Uys is not advancing any serious political argument, nor does he envisage a country under the rule of the African National Congress beyond middle-class whites preparing houses in Soweto for servants whom they can displace when the revolution comes.

What he does provide is laughter, not a comedy but a comedy with the work of Athol Fugard or Barney Simon. Picking wigs and headgear out of a cardboard box bearing the legend "Free Mandela" (which

turns in the last sketch to read title from P. W. Botha's notorious 1981 speech and suggests that Queen Elizabeth II, muffled the same phrase to Prince Charles at about the same time. The South African regime looks a big target from the Kilburn High Road, but Mr Uys (pronounced "Ace"), a 40-year-old white, Jewish, Afrikaans male, scores freshly informative points as well as the obvious bullseye, in an hour-long one-man revue, playing nightly at 11 pm after *The Great White Hope*.

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## Adam Faith in new play

Adam Faith and David Keyser will star in a new play by Warwick Moss, *Down An Alley Filled with Cats*, which opens at the Mermaid Theatre in London on November 27.

## Goehr and Henze/Radio 3

Andrew Clements

Southampton University's International music week took place in September. Radio 3 is broadcasting a series of recordings made during the week, and on Sunday evening included the first performances of new works by its two featured composers, Alexander Goehr and Hans Werner Henze, excellently sung by the BBC Singers under John Aldrich.

Goehr's *Imitation of Baudelaire* proved to be a short, part-song to which the composer intends to add further settings in the near future. It uses a Robert Lowell English translation of a Baudelaire sonnet. The six part writing for chorus is finely sustained and undeniably beautiful, but it lacks a strong core of individuality; the inclusion of

some of Goehr's choral pieces from the 1960s in the same programme underlines the absence of genuine fibre in his most recent music.

Recent pieces by Henze have varied so much in style and content that a totally convincing new work comes as a most pleasant surprise. *Orpheus Behind the Wire* was written to poems by Edwards Bond in 1984 and 1985, and which relate to an Orpheus ballet on which the composer and dramatist worked together in 1979. Henze suggests Monteverdi as an inspiration for his approach to the choral writing here, but in reality has simply relied upon his ability to create unadorned, disciplined music of a coherence and effectiveness that nowadays is buried too

often beneath extra-musical self-indulgence. Like the best parts of the Third and Fourth String Quartets and the song cycle *Voices*, it demonstrates that it is still premature to mark him down as a composer whose finest achievements are behind him.

The organist Timothy Bond's contribution to the concert was Goehr's big imposing *Chaconne* for organ, a performance of Luciano Berio's 1975 *La Strada*, his only organ piece. Modelled in early baroque fantasias its grey, inconsequential gestures only confirm what one might have expected—that Berio is by instinct a composer much more at home in pliable living media, and cannot come to terms with the mechanical constraints of the organ.

## Chilingirian, Lindsay quartets/Wigmore Hall

Paul Driver

Sunday morning's "Coffee Concert" at the Wigmore Hall was sold out well in advance. People, it seems, find listening to chamber music an enjoyable, profitable way to fill the morning of the Sabbath; and one could certainly argue that such time in the company of the combined Lindsay and Chilingirian string quartets spent writing for the extended musical thoughts of Brahms (String Sextet No 1 in B flat) and Mendelssohn (Octet) is at least as spiritually rewarding as going to church.

Both the works we heard make exacting demands of execution. Their sheer bigness (the Octet's first movement done with repeats, as it was,

takes a good quarter of an hour) and textural elaborateness provide bracing thrills for the listener (thrills different in kind from those of the conventional quartet) — only the stamina and concentration needed to keep ensemble intact and in tune are forthcoming. The players in the Sextet took time in warm-up and secure their intonation. Although their sonority was admirably rounded and biting, and in spite of their leader Peter Cropper's familiar infectiousness of serious passion, their ensemble often seemed a little coarse and uneven. Cropper's own high notes were sometimes allowed to pass imperfectly tuned, and intervals

throughout the whole texture lacked that magical aura of precise delineation. But there were, nevertheless, memorable moments and a sense of powerful purpose.

The Mendelssohn was led by Levon Chilingirian, with Peter Cropper a barely containable third desk. It was a very good performance, and the pianist Miki Jackson (he is not an egotist) assumed leadership of the opening quartet. Though behind him were piano, bass and drums, this was no replica of the Modern Jazz Quartet and played at the Wigmore in 1983.

As usual when away from John Lewis's leadership, Jackson seemed more animated and relaxed and swung harder, never more so than on his own "Bag's Groove" where he dug in grittily, giving the familiar theme an unlikely freshness. His version of Django Reinhardt's "Nocturne" was full of emotion and sublime in its understatement.

Pianist Monty Alexander who, when he first burst on the scene in the 1960s, threatened to out-dazzle Oscar Peterson, has pared

## Philip Morris Superband Series/ Dominion

Kevin Henriques

The rather ponderous, slightly misleading title of Saturday's concert at the Dominion, Tottenham Court Road, concealed nine top flight jazz musicians divided into a quartet and a quintet plus an equally illustrious singer who performed with a trio from the quartet.

The evening which, as far as one could perceive, went without a hitch—generous playing time allied with consistently good sound—was an admirable illustration of the positive, constructive way an international corporation can include jazz in its widespread arts sponsorship and quite easily achieve the type of audience response and satisfaction more usually associated with classical music, opera and ballet.

Practically every one of the nine instrumentalists heard on Saturday is a leader in his own right, so it was an occasion for a few remarks from the pianist Miki Jackson (he is not an egotist) assumed leadership of the opening quartet. Though behind him were piano, bass and drums, this was no replica of the Modern Jazz Quartet and played at the Dominion in 1983.

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Pianist Monty Alexander who, when he first burst on the scene in the 1960s, threatened to out-dazzle Oscar Peterson, has pared

his style and now plays with more deliberation and economy, both of which were fully showcased in his own composition "Renewal." The quartet was completed by the virtuosic Miles Henning-Federsen, the only European among the ten hot bassists anywhere and drummer Ed Thigpen, whose time-keeping and brush-work were two of the concert's most memorable facets.

This rhythm section, backed by Ernestine Anderson, a bluesy type of singer with much experience who for many listeners is not quite a fully-fledged jazz vocalist but who interprets quality songs with style and imagination. Her offbeat, rather charming reading of the hackneyed "As time goes by" was light years from Dooley Wilson, Casablanca et al.

The concert's final segment, devoted entirely to the quintet, was Smith's thundering away on his Hammond organ backed by heavy rhythmic support from guitarist Kenny Burrell and drummer Grady Tate, the front line of tenor-saxist Frank Foster and bassist Ron Carter, rather than to work hard to make their mark on the proceedings which tended to have a sameness.

Faddis illustrates the dilemma of a former teenage prodigy (he was 13 when he was labelled with the unfair epithet "the new Gillespie"). His technique is formidable enough but he has failed to find a personal style as he so clearly showed on Saturday when evoking almost every trumpet from Louis Armstrong and indulging in the sort of flashy, ear-drum splitting high notes once associated with Maynard Ferguson. Foster in

his solos was certainly the creative force of the quintet, notably on his own "Shiny Stickings," his playing flowing but not incoherent, full of energy and always to the point.

Guitarist Burrell was a disappointment. His forte is the smaller unit—a duo or trio—and his feature, "A Child is Born," did not adequately convey the tube's almost overwhelming beauty. Smith was a fine, confident, crowd-pleasing self, while Grady Tate, a rare performer in this country, slightly marred his sturdy steady work with a solo in which he used the same hand-drumming technique displayed by Ed Thigpen in his solo.

Saturday's London concert has one stop on an extensive European tour. The Philip Morris package is presently under-taken. Other cities to be visited within the next 10 days include Lisbon, Munich, Frankfurt, Barcelona, Madrid and Milan.

## RSC's new season at the Barbican

The Royal Shakespeare Company's new season at the Barbican Theatre opens on December 17 with a performance of Adrian Noble's modern dress production of *A Midsummer Night's Dream*, with the original Stratford cast including Bruce Alexander, Nicky Henson and Juliet Stevenson.

In *The Pit*, the season opens on December 11 with a new play by American playwright Bernard Pomerance. *Mothers* Ben Kingsley and David Burke lead the cast.

## Saleroom/Antony Thorncroft

Christie's began yesterday its largest ever sale of Japanese works of art, with a morning session from 10 am to 1 pm, and with 30 per cent unsold. A late 17th century six-leaf screen just reached its lower estimate at £8,640 while a six-leaf Sotatsu screen of around 1700 was also at the bottom of its forecast, going for £7,020. The sale continues today with some rare works of art from the age of Christy's influence in the late 16th century.

At Christie's Amsterdam a drawing by Jan Harmensz Mulder of a nude couple for the exceeded its forecast at £40,000, but the top lot, a Rembrandt

sketch of houses in trees, was unsold.

The Wellcome Institute of the History of Medicine has bought 95 Arabic medical manuscripts collected by the late Dr Sami Haddad of the American University in Beirut. They were to have been sold by Sotheby's on Friday but the Institute made a generous offer in excess of £80,000 and a private treaty sale was negotiated.

At Sotheby's in Amsterdam yesterday a scene of villagers outside an inn by Jan Steen sold for £119,900. A portrait of a hermit by the Spanish artist Ribera made £40,777, and the Beheading of Iphigenia by Codde, £39,514.

## Barbican closes the gap

The Barbican is proving less of a financial drain on its landlord, the City of London, than the pessimists feared. In 1984 its income totalled £8m, as against operating costs of £10.9m. The Corporation subsidised the gap, but the loss was £1.1m less than anticipated.

Attendances in the concert hall totalled 485,500, which averaged 84 per cent, as against 59 per cent in the previous year. Attendances for the RSC in the main theatre were marginally down at 84 per cent, against 86 per cent, but those at The Pit stayed level at 91 per cent.

Just over half of the £8m income came from sales at the bars, restaurants and shops. Revenue from conferences, at £701,000, was up by £80,000, while exhibitions did even better, rising from £509,000 to £801,000. While ticket sales from the Barbican's box office rose by over 50,000 to top 1m during the year, producing receipts of almost £6m, the Barbican itself retained only £543,418 of this sum. Cinema income was more than £40,000 higher at £184,571.

The current year has started well, and last month box office takings exceeded £1m.

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## Arts Guide

Musical/Modern, Opera and Ballet/Tuesday, Theatre/Wednesday, Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

## Opera and Ballet

## PARIS

Swan Lake alternates with Rossini's *Siege of Corinth* conducted by Arnold Oestman, in Pierre Luigi Pizzetti's production with Mahomed II sung by Furzicco Furzicco and Kadja Ricciardi/Christine Barbaux in *Pamira's* role. Paris Opera (266 9022).

## LONDON

New Sadler's Wells Opera, Sadler's Wells Theatre: The fare for this week is an attractive mixture of opera (the rapidly popular *Trovatore* production borrowed from Opera North) and operetta (the new Merry Widow, a successful mainstream production, and the HMS Pinafore revival).

English National Opera, Coliseum: Katya Kabanova, a famous ENO production now restaged by David Pountney, marks Simon Bartlett's long overdue London theatrical debut. Elzina Hannon takes Janak's title role. Further performances of the "interesting, vivid, and largely successful new production of Goethe's Faust, and also of the genial, not ideally stylish Orpheus in the Underworld (858 3181).

## ITALY

Torino: Teatro Regio: Rossini's rarely given *Elisabetta Regina d'Inghilterra*, conducted by Gabriele Ferro. The production is by Gianfranco de Bo. Lella Cuberli sings the title role, and the cast includes Daniela Dessi, Rockwell Blake, Mario Bolognesi and Antonio Savarino. (54 80 60).

Moscow: Teatro Comunale: La Fille du Regiment, sung in the original French, conducted by Gianandrea Gavazzeni. (212 2230).

## VIENNA

Staatoper: La Traviata; Die Entführung aus dem Serail; Donizetti's *The Love Potion*; Töcs conducted by Gundagano with Jones, Aragon, Wisel, Raymond in *Die Entführung*, Perle and Nussler (5324/2635).

Volkoper: Britten's *The Beggar's Opera*; Die Fledermaus; Der Okeanos; Lorzing's *Der Wildschütz*; Dostoyevsky's *Die Ungarische Hochzeit*; Zemlin's *Kleider Machen Leute* (5324/2637).

## NETHERLANDS

Amsterdam, Stedelijktheater. The Netherlands Opera with a double bill of Cavalleria and *La Bohème* directed by Nicolaus Jost, with sets and costumes by Pet Haimen. The Netherlands Philharmonic and the Opera Choir conducted by Robert Gieger. Casts headed by Galina Savova and Adrian van Limpt, and Theo van der Putten, Jan Derksen and David Pountney-Jennings. (Tues, Thurs). (24 21 21).

## WEST GERMANY

Stuttgart, Württembergisches Staatstheater: The Magic Flute has Carla del Rey excelling as Queen of the Night. Falstaff is a well done repertoire performance. Also Die Lustigen Weiber von Windsor. (20 32 1).

Kassel, Staatoper: Premiering this week is Janak's Katya Kabanova produced by Peter Ustinov with Arny Schlemm, Gabriela Benavente,

Franz Ferdinand Nemtow und Siegfried Jerusalem. My Fair Lady has Gabriele Ramm as Eliza Doolittle and Roy Goble playing Henry Higgins. Goble's rarely played *La Traviata* round off the week. (351 151).

Frankfurt, Oper: Der Zigeunerbaron is conducted by Volkmar Olthoff. La Bohème is with a visit, with Julia Corwell as Musetta and Yoko Watanabe as Mimì. Parsifal has Walter Raffeisen brilliant in the title role. Der Rosenkavalier, conducted by Michael Gelsen has Helena Dose, Gail Gilmore and Barbara Bonney (5324/2637).

München, Bayerische Staatsoper: This week's highlight is Otello, directed by Michael Gelsen, with Wolfgang Brendel and Piere Cappuccini. La Bohème is with a visit, having Helena Corwell and Yoko Watanabe in the main parts. Tannhäuser has Gabriele Schnant and Spas Wenckoff and Tristan and Isolde has fine interpretations by Ingrid Bioner. Spas Wenckoff and Theo Adam. (21 531).

## NEW YORK

Metropolitan Opera (Opera House): The week features Cavalleria, *La Traviata* and *Il Trovatore*. The *Il Trovatore* production is by Gianfranco de Bo. Lella Cuberli sings the title role, and the cast includes Daniela Dessi, Rockwell Blake, Mario Bolognesi and Antonio Savarino. (54 80 60).

Lincoln Center (262 8000). New York City Opera (NY State): Last season's premiere production of Philip Glass's *Akhnaten* is back in a week that also includes Frank Corcoran's production of *Kismet*, and Madame Butterfly and La Rondine in Lotfi Mansouri's winning production that debuted last year and is conducted by Alessandro Sisti. Lincoln Center (670 5500).

Donna Theatre Workshop: Elko & Komro present the world premiere of *Elko & Komro* and local premiere of *Elko & Komro* in their two-week engagement as part of the continuing international Border Crossing celebrating the venue's 20th anniversary. 215 W. 18th St. (924 0077).

Kazuo Oono and Kuniko Kikuchi (City Center): One of the oldest and youngest Japanese solo artists in a week-long New York engagement on alternate nights, 55th E. of 7th Av. (242 0800).

## WASHINGTON

Washington Opera (Opera House): Three of the season's productions are playing in repertory: *Un Ballo in Maschera* conducted by Cal Shaver, *La Traviata* and *Il Trovatore* directed by Francis Rizzo. Jean-Pierre Ponnelle's new production of Don Giovanni conducted by Daniel Barenboim with Renato Bruson and Gian Carlo Menotti's production of *Don Giovanni*, conducted by Maxine Shostakovich with Cynthia Mumford and Jerry Hadley. Kennedy Center (224 4747).

## CHICAGO

Lyras Opera (Civic Opera House): The 31st season includes Otello starring Margaret Price, William Johns and Sherrill Milnes, conducted by Bruno Bartoletti and staged by Annello Madan Diaz. Madame Butterfly with Anna Tomowa-Sliem in the title role, conducted by Miguel Gómez-Martínez, as well as *Semsem*, *Anna Bolena*, *La Traviata*, *Il Capitano* and *Die Meistersinger* and *La Rondine*. (532 2244).



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## Bankers to give US debt initiative new push

By Peter Montagnon  
 In London

US EFFORTS to alleviate the developing country debt crisis are to receive a new push this week at a meeting of senior executives of 18 leading international banks in Toronto.

The two-day meeting, today and tomorrow, hosted by Royal Bank of Canada, comes amid worries that the debt initiative launched last month by Mr James Baker, US Treasury Secretary, might be starting to run out of steam.

The initiative calls for an extra \$20bn in new loans to be channelled to the most heavily indebted countries over the next three years, coupled with a parallel increase in lending by the World Bank and Inter-American Development Bank.

Bankers attending the Toronto meeting say their group has now emerged as a key negotiating body for working out a specific response to the Baker plan. The group has evolved out of a smaller body of 14 banks which has been meeting regularly for some time to discuss general issues on the debt crisis.

They added, however, that the group would not seek to formulate any concerted commitment to fresh bank lending to developing countries. Instead, it will report back to individual national banking associations which will in turn work with their governments in liaising with the US Treasury in Washington.

The group consists of banks from the US, Europe and Japan which have taken a leading role in dealing with rescheduling issues. US participants number about six, which means they do not constitute a majority.

The group is regarded as a more practical vehicle for thrashing out the difficult technical aspects of the Baker plan than the Washington-based Institute for International Finance which is seen as too large a forum although it is also involved in information and opinion gathering. The IIF is owned by 189 international banks.

The group's first task will be to analyse vital outstanding questions starting with a macroeconomic assessment of the financial needs of the countries concerned as well as of the type of economic adjustment policies they will be expected to pursue in exchange for fresh lending.

Also on the agenda are technical issues including that of how to reconcile fresh lending with the need to make loan loss provisions on existing exposure. The bankers are also expected to examine the desirability of setting up one or more trust funds to channel funds in developing countries.

This has proved a controversial issue, with some arguing that trust funds would help keep smaller banks involved in the lending process.

US officials have singled out Argentina as a suitable guinea-pig for the scheme because of the adjustment programme successfully implemented last summer, but among developing countries in general there has been some caution because they, too, are uncertain about the economic policies they would be required to follow.

## Elders reshapes bid for Allied

Continued from Page 1

visers will this week be meeting officials of Britain's Office of Fair Trading to put their arguments why the bid should not be referred to the Monopolies and Mergers Commission. A referral would delay the bid for at least six months, but Mr Elders said yesterday that Elders would resume the bidding, assuming it was cleared by the commission.

Elders plans to develop Allied's brewing and wines and spirits interests but it will sell off its food businesses. The Australian company has received serious approaches from between eight and 10 major food processors from around the world, Mr Elliott said.

## France, UK set date for Channel-link decision

By ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT, IN LONDON

BRITAIN and France yesterday underlined their strong political commitment to build a cross-Channel "fixed link" between the two countries and confirmed in a joint statement they would announce before the end of next January which project for a bridge or tunnel, or a combination of both, had been chosen.

Mrs Margaret Thatcher, the British Prime Minister, said after a bilateral summit meeting in London with President François Mitterrand of the decision.

"I think it is one of the most exciting things this generation can do for future generations," she said.

The Anglo-French statement said a formal treaty on the permanent road/rail link across the Channel would be signed in February 1988. The two governments would also take complementary measures to stimulate trade between the two countries and within the European Community, facilitate frontier crossings and improve traffic conditions on both sides of the fixed link.

British and French experts are studying four privately-financed projects for the cross-Channel link. Two Anglo-French consortia group-

ing banks and construction companies - the Channel Tunnel and EuroRoute groups - are considered front runners. Neither Mrs Thatcher nor Mr Mitterrand were prepared to say at this stage which of the rival projects they preferred.

Mr Mitterrand said, however, that the fact that so far all deadlines for the realisation of the project had been adhered to was an indication of "a general determination to succeed." The next stage would be the presentation to the two governments next month of the joint experts' report.

The statement on the cross-Channel link was the main result of the annual summit meeting, over which a shadow had been cast by a whole series of Anglo-French disputes, ranging from rivalry over arms contracts to South African sanctions and reform of the European Community's institutions and decision-making procedures.

British and French officials were at pains to stress that the atmosphere of the discussions had nevertheless been friendly and positive. On the reform projects being studied by the EEC's intergovernmental

conference, in particular, the gap between British and French views had been narrowed.

The officials said London and Paris now had broadly similar positions on the extension of majority voting in the European Community's Council of Ministers and the scope of the increase in the European Parliament's powers.

Both governments hoped an agreement could be reached on the whole package of reforms at the European Council meeting in Luxembourg on December 2 and 3.

During their discussions of East-West relations, Mrs Thatcher and Mr Mitterrand concentrated in particular on the results Britain and France would like to see from today's US-Soviet summit meeting in Geneva.

The two leaders confirmed their governments' policies not to conduct separate nuclear arms-control negotiations with the Soviet Union until Washington and Moscow had agreed on substantial reductions in their nuclear arsenals. Mr Mitterrand also emphasized that the 1972 Anti-Ballistic Missile Treaty must continue to be respected.

## Greek police chiefs suspended pending inquiry into shooting

By ANDRIANA IERODIACONOU IN ATHENS

MR Andreas Papandreu, the Greek Prime Minister, yesterday rejected the resignations of his Minister and Deputy Minister of Public Order which were submitted after the shooting by a police officer on Sunday night of a 15-year-old demonstrator in central Athens.

The chief of Greek police, his deputy and the director of police in the Athens region were suspended from duty pending an investigation into the killing, which occurred in clashes between youths and police.

According to the Greek state newsagency, 15-year-old Michael Kallizas was shot in the head by a

police officer in clashes which followed a peaceful march on the US embassy in Athens, to commemorate the 12th anniversary of a 1973 Greek student uprising.

A young Greek woman worker and a Cypriot student were killed in clashes with riot police during the same anniversary march in 1980, the year before the Socialists won power in Greece. That case has still not come to trial.

The Socialist Government's swift move yesterday to suspend the three senior police officers was designed to deflect damaging comparisons.

Meanwhile, unrest continued in the centre of Athens yesterday, as gangs of youths were reported to have gone on the rampage, smashing shops and bank windows in streets near the university, which will remain closed today.

Police said 1,000 people were last night barricaded in the Athens polytechnic building which was surrounded by police. The university senate refused to grant police permission to break into the building, according to the state newsagency.

There were also disturbances among youths in Salonika, Greece's second largest city.

## More US companies demand government action on imports

By TERRY DODSWORTH IN NEW YORK

THE STRENGTH of growth in protectionist sentiment in the US was highlighted yesterday in a new report which shows that the number of companies pressing for some form of government action against imports has more than doubled in the past five years.

Nearly two-thirds of the 295 companies in the survey, written by Mr Seymour Lusterman of the New York-based Conference Board, advocate further government intervention on behalf of US corporations.

"Most of the companies favouring protectionist measures or other government support say they have come to this position reluctantly - and only in recent years," says Mr Lusterman. "Many appear to view protectionist measures as temporary - a means of giving the US leverage in seeking fair-trade agreements with other nations."

Around 95 per cent of the com-

panies in the survey were from the manufacturing sector, where the protests against imports have been the most pronounced because of the impact of imports on these sort of businesses.

Nevertheless, the report underscores the depth of the reaction to the sudden surge in imports in these traditional manufacturing sectors over the last few years, when foreign producers have wreaked havoc in the steel, automobile and textile industries.

According to the survey, about 72 per cent of the companies contacted and an even higher percentage of the largest US corporations - have attempted to influence US trade and other policies during the five-year period. Nearly two-thirds say their executives have been active in trade-related policymaking, lobbying and planning for trade associations and other business groups.

Some 44 per cent are calling for government subsidies, loans or tax

benefits, against only 14 per cent five years ago, while 38 per cent (including some who overvalued the first group) urge higher tariffs or lower import quotas.

The high value of the dollar, lower foreign costs and foreign government support for national industries are cited as the main causes of US difficulty in meeting overseas competition, with Japan cited more often than any other country as the biggest competitor. As a group, however, West European companies receive even more mention as a worldwide competitive force - a conclusion which lives oddly with the pessimism frequently displayed in Europe these days.

The two most widely advocated public responses to the competitive problem are government actions to lower the value of the dollar and increased efforts to negotiate bilateral and multilateral agreements to reduce trade barriers.

## Germany and UK exclude EMS from treaty talks

By Quentin Peel in Brussels

BRITAIN and West Germany yesterday rejected the initiative of the European Commission to include monetary questions - including the operation of the European Monetary System (EMS) - in the current efforts to reform the EEC's Treaty of Rome.

They charged that the move would encroach on the autonomy of central banks throughout the Community and be impossible to agree in the current debate.

Mr Nigel Lawson, the British Chancellor of the Exchequer, and Mr Gerhard Stoltenberg, the German Finance Minister, called for the whole effort to extend the "monetary capacity" of the Community to be postponed for further discussion and kept off the agenda of this month's EEC summit in Luxembourg.

Their combined assault on the move, which would institutionalise the working of the EMS in linking the different currencies of the EEC and give a more important role to the Commission itself, was staunchly resisted by Mr Jacques Delors, the Commission's president. It left the 10 EEC finance ministers split down the middle.

Mr Lawson rejected any suggestion that the planned reform would increase the pressure on the British Government to bring sterling into the exchange rate mechanism of the EMS. But he argued that it would none the less mean a "profound and detrimental change" in the control of monetary policy.

He said the plan, which would simply write into the Treaty of Rome the present practice in running the EMS, would give the Commission a power of initiation in monetary policy and would, therefore, affect "the independence and autonomy of the central banks" of the EEC.

Mr Stoltenberg said the Delors proposals were "unacceptable, for the Bundesbank" and that the reform "package" for Luxembourg should concentrate on measures to complete the single EEC-wide market and improve the working relations of its institutions.

He was notably less hostile to plans put forward by the Commission for the approximation of indirect taxes, such as value added tax, and excise duties. That is another key area in which many national treasuries are passionately jealous of their powers and independence.

Mr Stoltenberg said it was impossible to deny that differing tax rates affected the smooth operation of a common market but that the finance ministers were only at the very beginning of a debate on how to overcome the problems in harmonising the different rates.

The whole subject of EEC reform is back on the agenda of the foreign ministers in Brussels today, when they will seek to narrow the differences between them on how to streamline the decision-making and increase the powers of the European Parliament.

These remain the most divisive issues on the reform agenda with barely two weeks to go before the Luxembourg summit.

## EEC grants loan to Greece

Continued from Page 1

out by the Commission in the course of the week. They include details of the import deposit of either 40 or 80 per cent payable by Greek importers.

The Commission has insisted on some concessions which would restrict the list of items, subject to the higher import deposit.

The Commission has now to draw up the necessary regulation to allow Greece a further extension of its transition period to full application of EEC rules including the one-year delay for VAT. Export subsidies will also be allowed to continue.

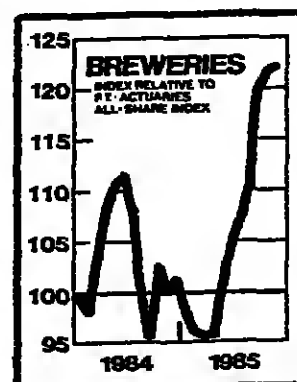
However, it is understood that the concessions made by Greece include dismantling the present state oil monopoly and agreeing on a three-year time limit for continuing exchange control measures.

The Greek package was strongly defended in the Council of Ministers by Mr Costas Simitis, the Finance Minister, who negotiated the conditions with Mr Jacques Delors, the Commission President, and Lord Cockfield, responsible for the internal market in day-long talks last Thursday.

The package was finalised by Commission officials only at the weekend and considered by the EEC monetary committee of senior central bankers into the early hours of yesterday morning.

## THE LEX COLUMN

## Multiple choice for the pub



ing that the group makes £75m pre-tax this year, the after-tax return on equity will not be much above 12 per cent.

S&N has more immediate problems, however. Yesterday's share purchases brought its holding in Brown up to almost 17 per cent but it still has nearly 30 per cent of hostile or inactive equity ranked against it. The company has sensibly pitched its offer around the prevailing market price, declared it final and forced the matter to a speedy conclusion. As the Monopolies Commission is expected to look unfavourably on most other bids for regional brewers, institutional shareholders may be tempted to take what look like the only quick capital profit on offer. But, after all, the takeover speculation in Matthew Brown shares over the past few months, S&N cannot count on success. It would, after all, only take the other national brewers to buy a few per cent of Brown each and S&N would find itself with an impossible task. But, to judge from the plans that Elders has for Allied, they would be better advised to buy lots of Allied shares and try to scupper that bid instead.

General Motors

General Motors may have needed to buy Hughes Aircraft and EDS in order to mount its Star Wars-like project for an electronically managed world factory. But it is doubtful whether it was desirable in either case to breach the New York Stock Exchange's principle of a single class of common stock per company.

That rule has long been fought for by the disarmament negotiators of stock markets on both sides of the Atlantic, and for good reason. General Motors' contrary decision to run as many as three varieties of common stock, attractive as it may be to the vendors of Hughes (or EDS), is sure to prove a nightmare to auditors and analysts, forced to calculate earnings on multiple accounting bases.

It is arguable that Hughes (or EDS) represents a special type of asset, meriting a different income stream and voting rights from those of the original GM shares. But if those companies are truly becoming part of GM, as the global strategy suggests, it will anyhow become progressively harder to disentangle their distinctive contributions. Not recommended.

Metal Box

Metal Box's trading results have been showing the stretch marks of a shrinking business for over two years but, even after the necessary adjustments, yesterday's figures for the six months to September were a disappointment. Pre-tax profits, at £31.2m, were a good 10 per cent below expectations given the £1m gain from a switch to average exchange rates; and the share price lost 25p, to 525p, in the certainty that this year will see the first reverse in the pattern of improving earnings since 1980.

Metal Box deadened the blow, at least for the financial institutions,

## Powell Duffryn plc

has sold its subsidiary

## Powell Duffryn Timber Limited

to

## Meyer International plc

## Kleinwort, Benson Limited

was retained to seek purchasers for the above company and to act as financial advisers to Powell Duffryn plc

## World Weather

Area	Temp	Wind	Cloud	Temp	Wind	Cloud	Temp	Wind	Cloud
Amsterdam	16	11	10	17	10	10	18	10	10
Antwerp	16	11	10	17	10	10	18	10	10
Brussels	16	11	10	17	10	10	18	10	10
London	16	11	10	17	10	10	18	10	10
Paris	16	11	10	17	10	10	18	10	10
Rome	16	11	10	17	10	10	18	10	10
Madrid	16	11	10	17	10	10	18	10	10
Barcelona	16	11	10	17	10	10	18	10	10
Seville	16	11	10	17	10	10	18	10	10
Valencia	16	11	10	17	10	10	18	10	10
Algiers	16	11	10	17	10	10	18	10	10
Tripoli	16	11	10	17	10	10	18	10	10
Cairo	16	11	10	17	10	10	18	10	10
Baghdad	16	11	10	17	10	10	18	10	10
Tehran	16	11	10	17	10	10	18	10	10
Delhi	16	11	10	17	10	10	18	10	10
Mumbai	16	11	10	17	10	10	18	10	10
Calcutta	16	11	10	17	10	10	18	10	10
Colombo	16	11	10	17	10	10	18	10	10
Singapore	16	11	10	17	10	10	18	10	10
Manila	16	11	10	17	10	10	18	10	10
Hong Kong	16	11	10	17	10	10	18	10	10
Tokyo	16	11	10	17	10	10	18	10	10
Osaka	16	11	10	17	10	10	18	10	10
Kobe	16	11	10	17	10	10	18	10	10
Yokohama	16	11	10	17	10	10	18	10	10
Nagasaki	16	11	10	17	10	10	18	10	10
Fukuoka	16	11	10	17	10	10	18	10	10
Kyoto	16	11	10	17	10	10	18	10	10
Beijing	16	11	10	17	10	10	18	10	10
Tianjin	16	11	10	17	10	10	18	10	10
Shanghai	16	11	10	17	10	10	18	10	10
Hangzhou	16	11	10	17	10	10	18	10	10
Nanjing	16	11	10	17	10	10	18	10	10
Wuhan	16	11	10	17	10	10	18	10	10
Chongqing	16	11	10	17	10	10	18	10	10
Kunming	16	11	10	17	10	10	18	10	10
Lanzhou	16	11	10	17	10	10	18	10	10
Xining	16	11	10	17	10	10	18	10	10
Lhasa	16	11	10	17	10	10	18	10	10
Urumqi	16	11	10	17	10	10	18	10	10
Qinghai	16	11	10	17	10	10	18	10	10
Yincheng	16	11	10	17	10	10	18	10	10
Xi'an	16	11	10	17	10	10	18	10	10
Shenyang	16	11	10	17	10	10	18	10	10
Harbin	16	11	10	17	10	10	18	10	10
Qiqihar	16	11	10	17	10	10	18	10	10
Heihe	16	11	10	17	10	10	18	10	10
Mohe	16	11	10	17	10	10	18	10	10

## Towering ambition

Continued from Page 1

Mr Trump's first plan to build the world's biggest building surfaced in August 1984 when he showed interest in building a 1,940 ft tower on an underused site just off the Wall Street financial district on Manhattan's lower east side.

Earlier this year, he put up plans to build an equally tall building on the site of the New York Coliseum but was pipped at the post by his arch rival, Mr Mortimer Zuckerman, who, Mr Trump claims, paid far too much for the site.

At a time when the New York property market is suffering from a

glut of office space and apartments, there were some doubts yesterday whether the "master builder's grandest plan" would get off the ground.

Mr Trump, however, was very confident that his project would work.

He stressed that New York had a vested interest in keeping the television industry and that the west side of Manhattan had a dearth of large shopping areas. His plans would solve these two problems at a stroke.